

Department of Finance

Honorable Arthur Brun (*present at 9:19 a.m.*)
Honorable Mason K. Chock
Honorable Derek S.K. Kawakami (*present at 9:05 a.m.*)
Honorable Mel Rapozo
Honorable JoAnn A. Yukimura
Honorable Arryl Kaneshiro

Excused: Honorable Ross Kagawa

The Committee reconvened on April 4, 2017 at 9:00 a.m., and proceeded as follows:

Committee Chair Kaneshiro: Good morning. I would like to call back to order the Budget & Finance Committee and Fiscal Year 2017-2018 Departmental Budget Reviews. On the schedule today, April 4, 2017, we will be hearing from the Department of Finance. They will be taking us through their various divisions. We will also be hearing from the Kaua'i Humane Society (KHS). At the end of the day, we will be hearing about the new bond issuance. As we do each morning, we take public testimony. Anyone in the audience wishing to testify? Seeing none, we will open it up to you, Ken.

KEN M. SHIMONISHI, Director of Finance: *Aloha* Budget & Finance Committee Chair Kaneshiro and Members of the Committee. Ken Shimonishi, Director of Finance. I just have a very brief overview on the Department of Finance's Fiscal Year 2018 budget, just a few slides that I will run through. The first slide is of our divisions that make up the Department of Finance. We have nine (9) divisions: Administration, which has three (3) employees, all of which are General Fund employees; the Accounting Division has nine (9) employees, all of which are General Fund; Information Technology (IT), thirteen (13), all General Fund; Treasury, two (2) employees, both of them being General Fund; Driver's License Division has thirteen (13) employees where seven (7) are General Fund, six (6) are State-funded, and in that division we have three (3) vacancies. You can see the vacancies listed on the side there, Position 562. This was formally the Chief Examiner, which we are proposing to upgrade that to a Vehicle Registration and Licensing Manager to oversee both the Driver's License and the Motor Vehicle Divisions and take that responsibility out of the direct supervision of the Treasurer. We also have Position No. 238, Driver's License Examiner. Again, that is State-funded and vacant. There is also a Motor Vehicle Program Technician, State-funded, which is vacant. Our Motor Vehicle Division has ten (10) employees, eight (8) of which are General Fund, two (2) State-funded, and no vacancies. Our Real Property Assessment has nineteen (19) employees, which all nineteen (19) are General Fund employees. In Real Property Collections, we have six (6), and of the six (6), all are General Fund with one (1) vacancy and that is Position No. 233, Account Clerk. Our Purchasing Division has ten (10) employees, all General Fund, and a recent retirement in that position of Position No. 232. Our budget reflects that now as a dollar funded position, as well as a downgrade. In total, the division has eighty-five (85) employees, seventy-seven (77) of which are General Fund, eight (8) are State-funded, and in totality we have four (4) current vacancies...well, I should say five (5) and we will get into that during our IT side.

As far as the Finance budget goes, we have made some adjustments to that and in total, on slide 3, you can see that the increase in the budget is 1.1% over last year, \$124,469. The variances are primarily composed of our Administration Division. We have made a reduction in our general liability claims, our Puhi Metals remediation work allowance of \$300,000. We took that down and we have offset some of that decrease by including a pollution liability policy estimated premium of \$125,000, so that is primarily the net change that you see there. Our Accounting Division is flat, except for our Employees' Retirement System (ERS) and collective bargaining allowance. Our Information Technology Division shows an increase due to there is a budget to replace the generator that is about ninety-five thousand dollars (\$95,000), maybe a little more than that. The generator to back up our IT system has been giving us issues in terms of our repairs needed, the ability to put out consistent power, and it is well-aged, I believe, in the early '90s, if not, shortly after the hurricane. Also, there are increases related to centralizing some support and maintenance costs from systems that were previously in other departments. Our Treasury Division reflects ERS allowance and collects ERS increase assumptions and any collective bargaining increase that may impact that. Similar with our Driver's License, our Motor Vehicle shows a slight decrease, due to a position downgrade and the Repair & Maintenance (R&M) computers. As I mentioned earlier, some of the software support is now being pushed into our IT Division. For our Real Property Assessment Division, we have offset any increases in there by a reduction in other services as the prior year budget that included a one-time contract extension. So we basically flattened that area and our Real Property collections show a reduction due to postponing foreclosure sales for Fiscal Year 2018. Our Purchasing Division shows a reduction due to another position vacancy, again, a downgrade as well as dollar-funding a recent retirement.

The next slide just shows the same budget, but again, in only terms of the actual expense categories, salaries/wages, slight decrease with our (inaudible), again housing our ERS assumptions and collective bargaining, and the Vehicle Equipment Lease line going up, as I mentioned about the generator purchase and our overall operations show the decrease in terms of our reductions in the general liability claims, as well as the one-time contract extensions. That is a very brief overview of our Department of Finance. Are there any questions?

(Councilmember Kawakami was noted as present.)

Committee Chair Kaneshiro: Any questions on this PowerPoint presentation?
Councilmember Yukimura.

Councilmember Yukimura: Ken, I want to say that you really provided an excellent narrative that was very informational, useful, and helpful. I think it reflects the excellent leadership that you and your division heads are providing and all of your staff. Thank you very much.

Mr. Shimonishi: Thank you, Councilmember Yukimura. I really owe that to the division heads who put forth the effort into producing the work product. I can only say that I am grateful for the staff that supports me.

Councilmember Yukimura: It does take a lot of people to do this work and the leadership is really important. I want to just acknowledge your stunning achievements that you outlined, this long-range budget planning, especially the structurally balanced budget, OpenGov, and the bond rating achievements. They are all really significant. I do not know that the public or the press understands how significant, but to me, they are taking us farther and farther away from the "Detroit scenario." More importantly, it is laying a really important foundation for this island to prosper. So thank you for that. My question is regarding your presentation. The three hundred thousand dollar (\$300,000) that you showed...here...Administration Reduction, slide 5, reduction totaling three hundred thousand dollars (\$300,000) in general liability claims and Puhi Metals remediation work allowance. Is that because the Puhi remediation is complete and we do not have any more risk regarding that?

Mr. Shimonishi: Unfortunately, no. It is because we have not seen movement in terms of the costs being incurred by the County to finish off that work. I will have to defer to the Department of Public Works to give us any update in that particular line item, but based on what I look at in the budget, and I am not hearing that we are having that movement, so I thought it would be prudent to reduce that allowance in that area, as well as our general liability. This, along with the fact that we are beefing up our reserves to the Government Finance Officers Association (GFOA) recommended standard, I thought it would be prudent to pull that out of the budget.

Councilmember Yukimura: Okay. That makes sense. Could you tell us about this pollution liability policy? It is on slide 5, the first bullet.

Mr. Shimonishi: We have been exploring a pollution liability policy for the various sites, locations that we have. We have all of the transfer stations and what have you around the County, like the baseyards and so on, so we thought it would make sense to have this policy to protect us against or help cover any type of unforeseen issues that may come up regarding pollution. We have asked our broker to go out and procure us a policy. We had to compile an application with various forms of information, including recent violations such as the Notice of Violation and Order (NOVO) and so on. We are awaiting a firm offer on that to hopefully get the policy in place sooner, rather than later.

Councilmember Yukimura: Okay, so the policy...it has a deductible or we do not know the exact form, but it is likely to have a deductible, right?

Mr. Shimonishi: I am guessing it would, but I do not think...my recollection is that it was not something really high or anything.

Councilmember Yukimura: So if we were to apply it to NOVO and we had a pollution policy in place...well, would it cover fines?

Mr. Shimonishi: I am not certain about that, but we can follow-up. I am not sure on the fines piece.

Councilmember Yukimura: I am just interested in how it would work. For example, if we get this NOVO fine...what was it...one hundred forty thousand dollars (\$140,000) or something like that? If we had it in place, would it cover that, is one question. Then what I am also recalling is the possible risk we had with the terrible tragedy of the break of the dam...well, no...actually, it was the pollution of the reef that involved Jimmy Pflueger's case, but I may be getting the two (2) incidents mixed up. If we were considered an accomplice to that pollution of the reef, then I am guessing that kind of pollution would be covered by this insurance, a pollution liability?

Mr. Shimonishi: I would hope so. I think the policy we are looking at had a coverage amount of three million dollars (\$3,000,000) for that premium.

Councilmember Yukimura: Okay. I think it is farsighted to think of having such a policy like that. I just was not sure how it worked and to the extent that maybe you can follow-up and explain to us how it would work, that would be useful. Thank you.

Committee Chair Kaneshiro: Any further questions on this PowerPoint presentation? Council Chair Rapozo.

Council Chair Rapozo: I have some questions on the positions that he talked about, but do you want me to wait until we get to that particular portion?

Committee Chair Kaneshiro: Yes, until we get to that particular division. If not, we can move on and if you have any questions on these, we will get to some of these.

Councilmember Yukimura: Okay.

Committee Chair Kaneshiro: We will go right into the Administration budget and if you have any questions under budget presentation or on the actual budget, just let us know. They broke it up very easily for us to read it. Everything goes together. We will take questions on either their budget presentation or on their numbers. Councilmember Chock.

Councilmember Chock: Thank you, Chair. I am not sure if this is actually reflective in the Administration, but it is in their goals and objectives in the presentation. We are talking about the continuation of work with the GFOA on the Long-Term Financial Planning (LTFP) and I just wanted to kind of get a sense on what the contract includes. I thought we got to where we needed to and what we can expect in working with them. I see the focus on the multi-year outlook and this kind of great direction, so I just wanted to see how long we have GFOA and for what services moving forward.

Mr. Shimonishi: I think the bulk of the consultation and getting us to the point of drafting our policies, I would say the majority of the work is done. We still interact with GFOA in terms of looking at examples of other counties or municipalities for best practices. We are still in contact with them and I think we can continue to reach out to them as we move forward. I think we have adopted two (2) of seven (7) policies...or

was it five (5)? But we still want to have some dialogue, which they are open to, to continue in that fashion. I am sure they are curious to see as we get to the policy adoptions and as we get to prepare a five-year outlook, their feedback on our product as well. I think it is still an ongoing process, although the majority of the project has been done.

Councilmember Chock: So is their contract included in the upcoming budget?

Mr. Shimonishi: I do not believe we have included...

Councilmember Chock: I do not see any.

Committee Chair Kaneshiro: Is there a GFOA membership due?

Mr. Shimonishi: No, it is not.

Committee Chair Kaneshiro: Oh, it is different.

Mr. Shimonishi: We still have moneys from the current contract that is unspent, but it is encumbered.

Councilmember Chock: Okay. Thank you.

(Councilmember Brun was noted as present.)

Committee Chair Kaneshiro: Councilmember Yukimura.

Councilmember Yukimura: It is a follow-up to Councilmember Chock's question, but we got those services and the results of this past year for how much? How much did we pay them?

Mr. Shimonishi: \$40,000.

Councilmember Yukimura: \$40,000?

Mr. Shimonishi: Right.

Councilmember Yukimura: That is probably the best \$40,000 we have ever spent, considering how much we pay other consultants for much less work. I guess it is part of our GFOA membership dues, too, which are not insignificant, right? It looks like it is about \$25,000.

Mr. Shimonishi: I think that also includes other dues. We may need to fix that narrative there because the GFOA by itself would not be \$25,000...the membership dues would not be \$25,000. There are other subscriptions in there that we can detail in our...

Councilmember Yukimura: Okay, that would be good to clarify, so please do that as a follow-up. Regarding our Long-Range Financial Planning efforts, we have adopted three (3) policies: one, structurally-balanced budget; two, reserve fund; and three, long-term financial planning. You have said that for the next year you want to continue with four (4) other policies, which are identified as debt management, investment, user fees, and capital improvement asset management. So they sound like really good areas to have clear policies in, so that is what the work would be for this following year, based on the consultation we have done and the ability to talk back and forth with them?

Mr. Shimonishi: Correct. The hope is to get to finalizing those policies, as well as bringing them before the Council.

Councilmember Yukimura: Okay. Good. Thank you.

Committee Chair Kaneshiro: Any other questions on the numbers? Ken explained the differences with the insurance. Councilmember Yukimura.

Councilmember Yukimura: On page 6, thank you for laying out the risk management and our insurance policies. So that Aircraft Holland Liability is for our helicopter?

Mr. Shimonishi: That is correct.

Councilmember Yukimura: Then this subsidized police vehicles, and you have a really huge footnote about it, but that is the cost of our subsidized vehicles program based on the number of vehicles that we are presently subsidizing and I guess projected for this upcoming fiscal year?

Mr. Shimonishi: Right, that would only be the insurance portion to protect the County because the subsidized vehicle program has other costs associated with it.

Councilmember Yukimura: So it is in case that subsidized vehicle gets into an accident either on or off-duty that we might be liable for? Are we just liable for the on-duty part?

Mr. Shimonishi: It is whenever that vehicle...

Councilmember Yukimura: Is used?

Mr. Shimonishi: Correct.

Councilmember Yukimura: Okay. That is the better risk-management way to do it for both on and off-duty.

Mr. Shimonishi: Yes. I do not think there is a way to differentiate from the insurance coverage standpoint a policy only when it is in or...

Councilmember Yukimura: But we can expect that policy to grow as the number of vehicles grows.

Mr. Shimonishi: Yes.

Councilmember Yukimura: So that is part of...when we do a cost-comparison between subsidized vehicles and using our regular police cars, that would be part of the cost for subsidized vehicles.

Mr. Shimonishi: That would, but even if they were County-owned vehicles, they would still be an insurance cost component with that.

Councilmember Yukimura: Correct.

Mr. Shimonishi: It may not be as high or there may be some variance in that, but there would be a corresponding cost.

Councilmember Yukimura: Would that be covered in our excess liability insurance? Would it be wrapped in an overall County policy?

Mr. Shimonishi: Yes.

Councilmember Yukimura: Okay. Thank you.

Committee Chair Kaneshiro: Any further questions for Administration?

Councilmember Yukimura: I do have on in excess workers' compensation and employers' liability.

Committee Chair Kaneshiro: Okay. Councilmember Yukimura.

Councilmember Yukimura: So it looks like that is not something we can get and I am not even sure what that means. What kind of liability is this? It is on page 7 of your narrative. Maybe that is just part of the boilerplate.

Mr. Shimonishi: Yes, and as a disclosure, this section is provided by our insurance agent in terms of our coverage and what is involved in all of that.

Councilmember Yukimura: Yes. Thank you for full disclosure, but we do not have excess workers' compensation, right? We are not subscribing to it.

Mr. Shimonishi: Yes, we do.

Councilmember Yukimura: We do have it?

Mr. Shimonishi: Yes.

Councilmember Yukimura: What is it exactly?

Committee Chair Kaneshiro: It is on page 42 of our budget.

Councilmember Yukimura: Okay.

Committee Chair Kaneshiro: There is an excess workers' compensation premium and an excess workers' compensation post-audit premium.

Councilmember Yukimura: Premium prior year plus excess post-audit premium adjustment to the tune of...what is Hawai'i State...can you explain those three (3) line items?

Mr. Shimonishi: One would be the actual premium we are estimating.

Councilmember Yukimura: Which one is it?

Mr. Shimonishi: The first excess workers' compensation premium and we just said we are using prior year plus a two percent (2%) inflation factor.

Councilmember Yukimura: Oh I see. Okay.

Mr. Shimonishi: The post-audit premium is when they actually come in and look at your payroll data because of workers' compensation premiums based on payroll. Typically, there is a small adjustment if you were accurate on your projections. That is for that line item.

Councilmember Yukimura: That is for the previous year, right?

Mr. Shimonishi: That is for the year, yes, when they look at what did you actually do and make an adjustment for the risk there.

Councilmember Yukimura: Okay.

Mr. Shimonishi: I need to check on that state fund compensation to look at exactly what that is for, but we can get that back to you soon.

Councilmember Yukimura: Okay, so you will follow-up regarding the Hawai'i State Compensation. Just in terms of what this is, excess workers' compensation premium means if we do not have enough workers, we have not put into the workers' compensation fund, and by all of the formulas, we owe more in workers' compensation than is regular? I am just really grasping for straws here to try to understand it. Maybe you want to just follow-up and let us know.

Mr. Shimonishi: Yes, we will do that.

Councilmember Yukimura: Okay. Thank you. I guess that is the danger of too much information.

Committee Chair Kaneshiro: Any further questions on the Administration budget? If not, we will move on. We are going to skip around because Steve has to go to O'ahu to testify at the State Legislature. If there are no more questions on Administration, we are going to jump to Real Property Tax and that is on our page 67 in the budget.

STEVEN A. HUNT, Real Property Tax Manager: Budget & Finance Committee Chair Kaneshiro and Members of the Council. Thank you for taking me early today. For the record, Steve Hunt, Real Property Tax Manager. Before I get into the budget, just so you know, the testimony today that I am attending is in regards to SB 683 and SB 686, which is the State's attempt to insert itself into the real property taxes by adding a surcharge, a rather sizable surcharge, so all of the tax administrators are attending today's hearing to testify against that.

Councilmember Yukimura: Thank you.

Mr. Hunt: I have two (2) divisions: Real Property Assessment and Real Property Collections. I will start with Real Property Assessment. You have the narratives, so I will not read it, but I will just kind of cover some of the highlights.

Committee Chair Kaneshiro: The narrative is on page 45.

Mr. Hunt: Yes, thank you. So Real Property Assessment is now in its second year of using ESRI as assessment analyst software. We have completed our pilot area of Līhu'e, about three thousand (3,000) parcels. Actually, it was three thousand nine hundred (3,900) parcels, but of the ones that required adjustments, we reviewed three thousand (3,000). The net result was that there was about \$18,000,000 in additional value found by using that assessment analyst software and assuming an average dollar tax rate of about \$5, we can assume roughly about \$90,000 in revenue would be produced by that; not just for this year, but also for every year forthcoming by finding that additional area.

Councilmember Yukimura: Good job.

Mr. Hunt: For market modeling, we continue to refine our models. We recently had some training from one of our vendors, Tyler Technology. We have maintained very high assessment-to-sales ratios in our three (3) residential models. They range from 97.2% to 99%, and for condo models, from 100.8% to 103.8%. Again, those are totaling 100% assessment ratio at the moment. So that is comparing your sale price to the assessment. Ordinance No. 997, which was the 3% assessment cap for properties that are in the homestead and commercialized home use, we spent time developing the software and testing the software to implement that. So that has been completed and was in effect for the 2017 assessment year. Tax relief—I going to come clean here, I have a mistake here

on the numbers. On the fourth line down, the Homestead class actually did not grow. It fell by one hundred nine (109) parcels, so that number of 11,603 should actually be 11,474. Again, part of that was compliance, people that had multiple uses coming out of the Homestead class and/or properties that were formerly Homestead that sold and are no longer Homestead.

The GIS position was filled this year and we are happy to say that we are gaining quite a bit of traction. We are very close to actually creating, in addition to the subdivision layer, a CPR layer. Once that CPR layer is created, all of the divisions within the County will have access. It has been problematic, especially from the Building Division when the permit for construction comes in and they do not know where to assign it within the parcel because they do not have a CPR layer. Now, we will be able to implement that as well. We have an Agriculture Working Group that was formed to look at the Agriculture Dedication program. This body convened for about eighteen (18) months and we now have formal recommendations from that committee. We just started the process of drafting that into ordinance form, so we hope to be back before this body with some recommended changes to the program to make it more beneficial, both to administer and also to the true commercial farmers out there.

Our challenges moving forward, again, integration of software. We have a lot of moving parts. One of our biggest challenges right now is the integration of the Marshall & Swift cost tables. The data that currently exists in our system is not formatted always in the same manner as Marshall & Swift, so we actually may have to put boots on the ground and visit a lot of commercial properties, in particular, to collect data that we currently do not have. Occupancy is one of those that actually drive value in the Marshall & Swift, so we will be doing a lot of fieldwork on the commercial segment this year.

Limitations in office space, again, because we have now actually have, for the first time in many, many years, a full complement of staff. We are finding that we are kind of walking on each other's toes, so there is a proposal to move the front counter forward to create about two (2) additional desk spaces and provide a little more working space. That is actually in the CIP budget this year only as the electrical plan, but as the bond float comes out, we will probably be back for some improvements just to move the counter.

Lack of vehicles has also created a challenge. At one point, Real Property Assessment used to have five (5) dedicated vehicles, but we gave two (2) to the Department of Parks & Recreation to their Rangers, and the others had been moved to the motorpool. When that was temporarily disbanded, we got two (2) of them back, so we have been managing roughly with two (2) vehicles for the last year. We are hopeful that the motorpool, which is now moving forward again, will provide additional vehicles for our staff to use. We have been doing a lot of juggling and we have been managing, but we certainly need more vehicles and the motorpool will be that solution.

Goals for Real Property Assessment—Again, as we move forward, the complete implementation of Marshall & Swift, although we had hoped to get it done for the 2017 assessments, we will, in fact, have it done for the 2018 assessments because we no longer have cost tables managed by the former vendor, so we do not have back-up. We are in the

process of converting fully this year. ESRI assessment—we are again moving now to the second pilot area. The only thing we are waiting on right now is the pictometry contract to be completed and the flyovers for zone one. Once we get the new imagery, we will then send out our assessors to both do it from the field and from the desktop. In the budget, one of the additions you will see is an extension of the contract to add mobile tablets. Rather than doing hand sketches in the field, we will actually be geo-referencing from an iPad the buildings, as well as doing the electronic sketches, so it is a one-time collection of data. Meanwhile, the retrospective data that we are doing the flyovers for will be picked up from the desktop, so we will be doing both in-house and fieldwork using that platform.

Staff training—we are continuing to do staff training. We just completed some market model training and we will continue to find more IAAO coursework for our assessors, getting them compliant and even certified as IAAO appraisers is a goal of ours.

The GIS maps—we have completed the subdivision layer and are very close to completing the CPR layer. Once that is done, there will be more just maintenance mode, which means that the GIS person will actually be available to help other divisions. We have been talking to Planning about taking their zoning maps and updating those where they have already had a lot of GIS work, but they need more, so we are looking at using this as a County-wide resource, as opposed to just within our department. The Agriculture Dedication, as I mentioned, we will be coming forward to you with some recommendations for ordinance changes. Finally, the Land Information Management System (LIMS)—there was some preliminary work done to scope out what we would need to do for an RFP. To be honest, I am not sure where that is heading in terms of budget at this point. It would require quite a bit of capital. There may be some in-house work that would be done, hopefully with the lead of IT, but that is a goal to create efficiencies so that we can have GIS as the working platform for all of the agencies, particularly the Building Division, the Planning Department, and the Real Property Assessment Division to share that same information.

Budget-wise, I think Ken covered it; primarily, our increases have been to wages and benefits and operations. There was about a \$107,000 reduction, primarily due to two (2) things: one, we had a one-time contract extension for \$75,000, which is nonrecurring; and then we also have a reduction in our contract with Tyler. We have an in-state consultant who is moving to Denver, so instead of having costs incurred by having him fly over and stay, we are now going to be spending it basically on tech support through online and via phone, so we will not have as much physical contact with our vendor.

Committee Chair Kaneshiro: Okay. Any questions on the presentation or the numbers? The main variance has to do with those other services and tech support. Councilmember Yukimura.

Councilmember Yukimura: I have to say that this is exemplary resourcefulness. Even just the space needs and figuring out that you can move a counter, although, I know that it will still be very involved, but you do not have to move your whole department and create a whole new setting. You are really dealing with your existing circumstances and try to make it viable. Even the way you structured your technical

support now and reused or reframed the money for that is really excellent, so thank you very much. I do have one question. You said that occupancy is one of the factors in the Marshall & Swift system—you mean whether the commercial unit is occupied and has an ongoing business? What do you mean?

Mr. Hunt: Good question. It is related to the business. For the cost tables, if we describe a warehouse building, is it a cold storage or is it just a shell? An office building...

Councilmember Yukimura: So it is the nature of use.

Mr. Hunt: Correct. An office building, if you say it is medical—all of a sudden, now, if it is a radiation type of building where they are doing radiology work, there is added costs because of the thickness of the concrete in treatment. It is built into the tables, so as you describe the occupancy, it actually has a cost factor associated with it.

Councilmember Yukimura: That makes sense. Thank you.

Committee Chair Kaneshiro: Any other questions?

Council Chair Rapozo: Is this for all of Real Property, even the Collections Division?

Committee Chair Kaneshiro: No, we are going to get to Collections next.

Council Chair Rapozo: Okay.

Committee Chair Kaneshiro: Any questions for Real Property Assessment? If not, we will move on to Collections.

Mr. Hunt: The successes and achievements for the Collections Division is that really we have been focusing more and more on payment agreements because we do not have currently have the technical staff inside to do foreclosures. In lieu of that, we are trying to get more and more payment agreements so that they will pay us something on what is owed on the outstanding. Currently, we have thirty-nine (39) agreements that are generating about \$65,000 per month in revenue. Again, we cannot collect the balance on all of them, but at least we are getting a payment plan.

One of the major challenges that faced Collections has been the turnover in October; the Tax Collection Assistant retired. There was a concerted effort to try to transition, so we went out for a Section 3 hire three (3) months prior to this person leaving, with the intent of imparting some of the knowledge and working towards that transition. Unfortunately, we were not able to get anybody who met the minimum qualifications, which included five (5) years of tax work. We continued recruitment in that position for another three (3) months, and after that six (6) months, we decided we just were not going to get anybody at that

level. We tried to fill internally and also were unsuccessful at meeting minimum qualifications, even for training agreements at that point. So we downgraded the position from the Tax Collection Assistant to an Account Clerk. So that is the vacancy that you will see now. In addition, in last year's budget, one of the Account Clerks had been taken away as a full-time civil service and replaced as an 89-day contract to cover the two (2) busy periods. We have two (2) billing cycles, typically three (3) months of busy billing and that 89-day contract is for that position to cover those busy billing periods. Currently, we have that 89-day contract and have actually been in continual use rather than just the busy billing because we have not been able to fill that Tax Collection Assistant. At this point, we are on our third contract, maybe even going to our fourth now. The intent is to eventually make that a seasonal hire for the busy billing, but until we fill that last Account Clerk, we have been doing this on a quarterly basis.

For Cashiering, they are in the process now of converting to Inova, which is a new software, and that is not just within Real Property Collections; that is County-wide, so it is a new software and there have been some bugs with it. So our lead at Real Property Collections, Michelle Lizama, has been sort of our troubleshooter for that. She has been going through and making sure that the connections with Tyler are working and that the cashiering system is going to be successful.

Foreclosure sale—again, we do not anticipate having a foreclosure sale this year either. We just do not have the staff, and the emphasis has been on collections and getting the payment agreements. Below are some highlights on the delinquencies. Currently, we are about \$2,100,000 over the three-year delinquent cycle. That is about a 3.24% delinquency rate. Historically, our low in the last decade was in 2005, which was 1.5% delinquency. Our high has been 2012 when we were at 4.1%. So we are starting to trend up, and part of that again is because we are not able to do the foreclosures. Again, I think as we start to get these payment agreements, we might be able to make some traction on that.

For goals and objectives, we are just looking at trying to keep a handle on our delinquencies and try to be as effective as we can in using the staff to process the payments that are coming in. From an operational standpoint, we actually did see some reduction in wages and that includes reducing the Tax Collection Assistant position down to an Account Clerk, so that accounts for that. Even though there was some collective bargaining, we actually had a net reduction in that. Operations—that \$38,300 reduction is again primarily associated with not hosting the foreclosure sale this year. The last page, page 54, shows the vacancies. Position No. 233 is our true vacancy right now and we are in recruitment. We are waiting for a list from the Department of Human Resources (HR) so that we can begin interviews. The second position, Position No. 275, shows as dollar funded, but there is funding in the budget for those two (2) seasonal periods.

Committee Chair Kaneshiro: Okay. Any questions? Councilmember
Yukimura.

Councilmember Yukimura: You all better watch my math here, but \$65,000 a month is what you are getting through delinquency agreements? So times twelve (12), that is about \$780,000 a year.

Mr. Hunt: I cannot answer that without doing it.

Councilmember Yukimura: Thank you. The other Certified Public Accountant (CPA) has confirmed. That is a very substantial amount. That is great. What is in your delinquencies on page 52? Real Property Taxes and RRCA?

Mr. Hunt: That is the refuse collection fees. Real Property Collections does the billing for both the real property taxes and the refuse fees. There is also one other one, which is affecting just a few properties, but that is the Kukui'ula CFD. There are potential three (3) taxes and fees that we are collecting.

Councilmember Yukimura: The Kukui'ula Assessment District—do we get that money?

Mr. Hunt: No.

Councilmember Yukimura: We are paying off the bond, right?

Mr. Hunt: We collect the money and then we distribute it to the bond issuer, who then distributes to the people who invested in the bond.

Councilmember Yukimura: Right.

Mr. Hunt: We do bill for our time.

Councilmember Yukimura: Okay.

Mr. Hunt: So we keep a record and log and turn in timesheets for reimbursements for our cost on the collection. Anytime that Kukui'ula takes a draw on that bond, we get a 15% fee. So that was the Kāneiolouma Heiau and some of the work that was done, like Complete Streets by the school. Those have been paid for by the 15% that we got for the bond issuance.

Councilmember Yukimura: Okay. The refuse collection goes into the Solid Waste Fund.

Mr. Hunt: That is correct.

Councilmember Yukimura: So the delinquencies are in both cases. There is a delinquency in terms of the real property taxes owed, and then a delinquency in terms of the Solid Waste fees owed as well. That starts to be really significant. Okay. The total delinquencies is \$2,100,000.

Mr. Hunt: Yes, for the prior year delinquencies. We do not include the current year because normally there is still time to make payments, so they are starting to incur penalty and interest, but they are on the second-half balances for those who have not paid on neither the first-half or second-half still can make good within this year, but that will get added to the next year.

Councilmember Yukimura: You said that the decrease in operations in your budget overview on page 53 is \$38,000 and much of that is due to the fact you are not having an auction.

Mr. Hunt: Correct.

Councilmember Yukimura: So an auction costs about that much to put on?

Mr. Hunt: Yes, because we do a lot of title work, especially properties that have breaks in title, there is often deep work that needs to be done before we can have those as part of the foreclosure. We incur a lot of frontend costs to do that.

Councilmember Yukimura: I see. On your inability to fill the Tax Collection Assistant, may I ask how broadly do you advertise?

Mr. Hunt: I cannot answer that because it is done through HR. I cannot tell you how far they extend.

Councilmember Yukimura: I hear Ernie saying that it is worldwide.

Mr. Hunt: Okay.

Councilmember Yukimura: I can understand with the specialized requirement of tax assessment experience, did you say five (5) years?

Mr. Hunt: Just tax experience, so if you worked in the State Tax Office, collecting taxes or doing things like that. There was a specific reference to tax collection activity.

Councilmember Yukimura: Okay. I can see that if you just advertised locally that it may be hard, but I would imagine statewide or...it is sort of interesting to me that you could not fill the position.

Mr. Hunt: At this point, we are actually looking to build from within. We are trying to train-up potentially two (2) candidates that could be eligible for that position in not too long a period of time. So that is what we are trying to do at this point.

Councilmember Yukimura: That is reasonable. If you could find someone that could do that higher-level work right away, I am sure it would be useful to you.

Mr. Hunt: Yes.

Councilmember Yukimura: Thank you very much.

Committee Chair Kaneshiro: The Tax Collection Assistant had a \$43,000 salary, so I do not know how many people would want to relocate to Kaua'i for \$43,000 if we could not find them here.

Councilmember Yukimura: Unless somebody wanted to come home.

Committee Chair Kaneshiro: Council Chair Rapozo.

Council Chair Rapozo: I just wanted more information on the Account Clerk. How long has the Account Clerk been vacant? Is it your intent to not fill it and just use it for the contract?

Mr. Hunt: No. For the Account Clerk position, we are in recruitment now.

Council Chair Rapozo: How long has it been vacant?

Mr. Hunt: It was vacated on October 31st. Again, at the time, it was not the Account Clerk, this was the Tax Collection Assistant; it was downgraded.

Council Chair Rapozo: Right, I am talking about the Account Clerk position that was changed. How long?

Mr. Hunt: Okay, so the Tax Clerk then. You are right, it was not Account Clerk.

Council Chair Rapozo: It morphed into an Account Clerk.

Mr. Hunt: Correct.

Council Chair Rapozo: That is the position I am asking about.

Mr. Hunt: Position No. 275. That is the position. It is showing as a Tax Clerk now. It was an Account Clerk. I would have to revisit that at the point...

Council Chair Rapozo: What is it now?

Mr. Hunt: It is currently a Tax Clerk.

Council Chair Rapozo: Oh, I thought it was the other way. I thought it was a Tax Clerk and you changed it. So it was an Account Clerk?

Mr. Hunt: Right.

Council Chair Rapozo: And you changed it to a Tax Clerk?

Mr. Hunt: Yes. Let me be very clear—the two (2) positions involved are Position No. 233, which formerly was Karen Samiano's position, if we put names to this, and she was the Tax Collection Assistant. That is the one we attempted to hire, could not find positions, have since downgraded that to an Account Clerk.

Council Chair Rapozo: Right.

Mr. Hunt: The other position, Position No. 275, was an Account Clerk. It is currently filled with a contract hire and that contract hire, I believe, is going into its fourth quarter, so it would have been a full year, rather than the two (2) that had originally been planned for, and that is primarily because we have not been able to fill the position above, so we have continued the work, which has not changed. So we still need volume production that is coming in. We have hired that on...rather than a seasonal, we have hired it basically on a full-time position for this first year.

Council Chair Rapozo: I am inquiring about Position No. 233.

Mr. Hunt: That one is a downgraded position that was the person who had formerly been in charge of delinquencies and foreclosures, and that was downgraded.

Council Chair Rapozo: Right, and Position No. 233 is now an Account Clerk.

Mr. Hunt: Correct, downgraded.

Council Chair Rapozo: That is what I am asking about.

Mr. Hunt: Yes, and we are trying to fill that one.

Council Chair Rapozo: My question is how long has that Account Clerk been vacant?

Mr. Hunt: October 31st.

Council Chair Rapozo: When did it change?

Mr. Hunt: I believe we attempted to hire at the Tax Collection Assistant for three (3) months prior and three (3) months after, so we gave it about a six-month window to fill. After that, we reclassified it, so it would have been somewhere around December/January that we reclassified it.

Council Chair Rapozo: Then it became an Account Clerk?

Mr. Hunt: Yes.

Council Chair Rapozo: Okay. You are trying to fill that now?

Mr. Hunt: We are trying to fill that now.

Council Chair Rapozo: I know the Mayor said that he is going to freeze all positions come the beginning of the fiscal year. How is that going to work?

Mr. Hunt: Well, one, we hope to fill it before the fiscal year starts. If it we are not, I believe it is dealing with attrition. So if someone leaves a position, it is frozen. I do not think if it was budgeted and approved through this budget process still unfilled that it would be frozen. That is my understanding, but I would have to clarify.

Council Chair Rapozo: Yes, so it is not a true freeze. I noticed in the last week or two (2), the notices for all the positions are coming out. They are posting all of these positions, which is interesting because the Mayor said in his speech that, "All positions from July 1st are going to be frozen." But we are going to try and fill them all before. I think that is a mixed message. So the positions that are budgeted for will not be frozen?

Mr. Hunt: That is my understanding, if it is approved.

Council Chair Rapozo: Right, if it is approved in this budget.

Mr. Hunt: Yes.

Council Chair Rapozo: Okay. I do not think that was the message that was put out. The message was, "All vacant positions will be frozen. No hiring for six (6) months." But that may not be true.

Mr. Hunt: Again, I believe it is as of July 1st.

Council Chair Rapozo: Okay.

Mr. Hunt: Ernie also sits on the Vacancy Review Board, so he might be able to clarify that.

ERNEST W. BARREIRA, Assistant Chief Procurement Officer/Budget Chief: Good morning, Chair, the Mayor's message and the actual vacancy directive issued by him made very clear that the initiative would involve positions that vacate as of July 1st. That is specifically what is noted in his message and what the policy statement as well.

Council Chair Rapozo: Okay. Thank you.

Committee Chair Kaneshiro: Any further questions for Real Property Tax Collections? If not, we are going to move on. Thank you, Steve. Good luck today.

Mr. Hunt: Thank you.

Committee Chair Kaneshiro: We are going to go back to Accounting, page 45 in our binder and page 17 in their write-up. Any questions? I had a question. What is the Consultant Services - SunGard Implementation?

Mr. Shimonishi: SunGard is the vendor that we have for our total financial software across the County. I believe this is to actually have a look at a different way of processing our contracts to see if we are using the most efficient method to encumber money and process money. So this will be done in conjunction with our Accounting and Purchasing Divisions, seeking kind of an objective recommendation from SunGard.

Committee Chair Kaneshiro: Thanks. Any other questions for Accounting? I see some highlights on your page. Councilmember Yukimura.

Councilmember Yukimura: First of all, congratulations again for getting the Certificate of Excellence in Financial Reporting. In terms of the challenges, which is the second paragraph under challenges, "request for technological changes that will further strain the capacity of the Accounting Division." I just did not understand what you mean by that. The fact that you are focusing on cross-training is excellent.

Mr. Shimonishi: I am sorry, but where in the narrative is that?

Councilmember Yukimura: It is your second paragraph under "III. Challenges." You said that "due to consistent year-after-year staffing issues, the goal of cross-training and creating standardized procedures continue to be challenging. For example, we have experienced"...one, two, three, four, and the fifth is "request for technological changes that will further strain the capacity of the Accounting Division."

Mr. Shimonishi: I have to apologize. Renee Yadao, who is our Accounting Systems Administrator is out today due to family needs. I think what she is referring to in this narrative is that oftentimes, the process of implementing certain technology procedures can have an impact on the work that they do. While it might be more efficient in some areas, it creates, in certain cases, a heavier workload in their division to assure that all of the controls are met and all records are auditable and proper. It always is a balance between what we can do, want to do, and how quickly, versus what we need to be sure we are doing, still keeping our books straight, basically.

Councilmember Yukimura: That makes sense, especially as I think about your section on IT and that interface between technological change and just making sure all of the other pieces are aligned with it in whatever subject area you are working on. Okay. Thank you.

Committee Chair Kaneshiro: Any further questions for Accounting? If not, we will move on to IT.

Mr. Shimonishi: I did want to make an announcement on IT as I talked about the positions. Brandon Raines, our IT Manager, has left employment with the County. He had personal needs that he felt he could not commit to the time to dedicate to the County to do his job. We were obviously kind of spoiled with Brandon. He performed, I think, exemplarily and brought the County forward and all of that. But we did have a few employees that expressed an interest in stepping up and at least accepting a temporary assignment to Brandon's position. We have selected an interim IT Manager, someone to temporarily take that assignment. He is in our audience now and I would like to bring him up, Dale Sherman. Maybe Dale can introduce himself to the Council and provide some background on his history with the County, as well as his previous work experiences and so forth.

DALE SHERMAN: Good morning. For the record, my name is Dale Sherman. I am serving as the Acting IT Manager in Brandon's absence. I told him that he really needs to come back, but I do not think he has plans to. He and I had the opportunity to work together going on near four (4) years now and has been a good mentor to me. I am happy to share any information you might be interested in, as far as my background, and any qualifications I have for this position. If you would like to ask questions, that would be fine.

Councilmember Yukimura: Can we have some background?

Committee Chair Kaneshiro: Sure.

Mr. Sherman: Originally, I came from South Florida. I spent about twenty-four (24) years as an IT Manager in Charlotte County, Florida. Specifically, I worked with Law Enforcement, so I was the Director of IT for Charlotte County Sheriff's Office. I retired from that position to come out here and take on a new adventure on an island that my wife and I loved for many years. I was fortunate enough to run into Brandon and apply for a position within IT and ended up getting hired for that and relocated with my family out here. As I have said, Brandon and I worked together for almost four (4) years. When we found out he was leaving, I applied for the temporary assignment and was selected, so I am happy to serve and it is a privilege to be here.

Committee Chair Kaneshiro: Thank you and welcome to you first budget.

Mr. Sherman: I love budgets.

Committee Chair Kaneshiro: Councilmember Chock.

Councilmember Chock: Thank you for the brief history and overview. I just wanted to know what you see as some of your goals or needs in terms of where the IT Department needs to go.

Mr. Sherman: Sure. There are a lot of efficiencies to be realized through adopting some modern technologies; a server virtualization is one of them. Just the savings in electricity costs alone can be phenomenal. So virtual servers are something that we have been targeting to the point now where our infrastructure is supporting nearly 160 servers running in a virtual environment, which is a pretty detailed thing. Ultimately, it makes things simpler to manage and more cost-efficient to run as far as the infrastructure required to support them, both from physical things, like electricity and space to people, the amount of staff it takes to manage them. That is one area that I see the County heading in. To be fair, Brandon, our previous IT Manager, set the course for a lot of these things and I will have the opportunity to continue with programs that he has already established. I am also really big about information-sharing and making things accessible across departments and providing the tools and methodologies to facilitate that so that if you want an answer about something, it is right at your fingertips via perhaps a SharePoint website or some other means versus you having to spend a lot of time tracking someone down who can provide those kinds of answers. I also love electronic documents; the less paper, the better. I think we can continue with some initiatives that Brandon had started with doing more things with electronic signatures and workflows versus paper-based transactions.

Councilmember Chock: Thank you.

Mr. Sherman: You are welcome.

Committee Chair Kaneshiro: I think you will have your hands full. I think we have heard it many times with different departments about mapping and information-sharing between departments and I am sure you are going to have a big hand in how they are able to share that type of information on one (1) platform. Councilmember Yukimura.

Councilmember Yukimura: With your background in law enforcement IT, you must have been the one that has been helping our Police Department with their records management, remote monitors, and all of those things. Thank you very much because it sounds like that piece has gone well after a few years of non-functioning.

Mr. Sherman: Yes, they had some pain with their previous system. I think they are really on the right track with this new Spillman software they have implemented and it has been fun working with them on that project.

Councilmember Yukimura: Thank you. That is a very important piece for law enforcement and then for all of us who are interested in good law enforcement. Thank you for that work and for stepping up. Talk about short notice, this morning when I read that the IT Manager was gone as of the first of April, I was like, "What?"

Mr. Sherman: I am still in shock myself.

Councilmember Yukimura: Yes, I think we all are. Brandon has played a very important role. When you look at the report, you see what has been accomplished and how he has supported all of our efforts. Thank you for stepping up to continue.

Mr. Sherman: You are welcome.

Committee Chair Kaneshiro: Any further questions for IT?

Councilmember Yukimura: Yes.

Committee Chair Kaneshiro: Okay.

Councilmember Yukimura: Which is the IT page?

Committee Chair Kaneshiro: It starts on page 51.

Councilmember Yukimura: May I?

Committee Chair Kaneshiro: Yes.

Councilmember Yukimura: You went right into it, virtual desktop infrastructure, and I presume that is related to your first point in terms of your personal goals, virtual servers. That is what you just brought up, right? Are they different things?

Mr. Sherman: It utilizes a similar base technology, but it is two (2) different things. When we are talking about virtual desktop infrastructure or VDI, it gets away from the old model of thinking of, "Well, the PC that I use is this physical thing sitting on my desk," to where the PC is just this cloud-based computing resource and I can connect to it from my desk from my phone, from my tablet, from anywhere on the internet. It just makes it more accessible, and in the long-term, more cost-effective to operate because your IT staff required to support that kind of thing is decreased.

Councilmember Yukimura: Wow. That is a huge efficiency method then. You also described the lowering of electricity costs. So the virtual desktop versus virtual servers—those are two (2) different things. I just got your explanation of virtual desktop and I think I get it conceptually. How does that tie into virtual servers? Is that a whole different concept?

Mr. Sherman: So, a similar concept. Previously, servers would be this physical thing, a big box, running somewhere in a computer room or wherever consuming power. Even at times when there was not much demand placed on that resource, that server was still running and still using electricity. With a virtual environment, you can take a specially constructed set of servers, and on those machines, you can build these little containers that run the various different applications that the County would use. Previously, where it was a one-to-one relationship, there is a single physical server requiring its own set of software to run. Now, there is a single physical

server, but it runs maybe 50 different processes, so it scales well in being able to deliver applications at much lower costs.

Councilmember Yukimura: Okay. Thank you. Is there a budgetary cost for this coming budget? This was “successes,” but there is future work to be done. Is there a budget item associated with your work on virtual desktop or virtual servers, or not yet?

Mr. Sherman: There are a couple of budget line items that would relate directly to those.

Councilmember Yukimura: I have not made all of the correlations. That is okay, you can point them out later.

Mr. Sherman: Okay.

Councilmember Yukimura: But they are included?

Mr. Sherman: The equipment we would need to continue to support those have been included in this budget as such, correct.

Councilmember Yukimura: Okay.

Committee Chair Kaneshiro: Any further questions for IT? Councilmember Yukimura.

Councilmember Yukimura: With Brandon gone, are you thinking we can nonetheless carry out the budget for this year? I do not know how much chance you had to review it.

Mr. Sherman: Yes. We have reviewed the budget extensively. Brandon has done an excellent job in communicating budget items with the IT staff, so I would think it is fair to say that everyone on Brandon’s staff is reasonably familiar with the budget and has contributed to it in some fashion. We are fully prepared to continue with the course that Brandon has set. We are very familiar with the different projects and costs, so there should be no problem there at all.

Councilmember Yukimura: As the interim IT Manager, is this a temporary assignment? Is that how it works? Will your former position be left vacant?

Mr. Sherman: I will let Ken explain that.

Mr. Shimonishi: Yes, so it is a temporary assignment to an appointed position. We cannot fill Dale’s current position because in the event something should happen, obviously, he would not be able to return. The goal is to look at converting this IT Manager or appointed position into a civil-service position, which would lend stability and continuity with the changing of administrations. The idea is that we would convert this position and let it go out for open recruitment worldwide or whatever it may be

and see the candidates that we get in. In the meantime, it allows us through the temporary assignment of Dale to have someone lead the division while we move towards this conversion, and then openly recruit at a later date.

Councilmember Yukimura: Okay. How much notice have you had in all of this?

Mr. Shimonishi: I believe Brandon came up and talked to me probably around the first week in March or further thereafter.

Councilmember Yukimura: So you have had about one (1) month to...

Mr. Shimonishi: Well, we have been thinking of all the things that we could try to do.

Councilmember Yukimura: Okay. There is a CIP project summary, but can we go over that, too, now?

Council Chair Rapozo: Can I ask a follow-up?

Committee Chair Kaneshiro: Yes. Council Chair Rapozo.

Council Chair Rapozo: So Position No. E-90 is the Executive Assistant to the Mayor?

Mr. Shimonishi: That is correct.

Council Chair Rapozo: What is Dale's old position? Where did he come from?

Mr. Shimonishi: I believe you would be at 244.

Council Chair Rapozo: 244?

Mr. Sherman: Yes, I believe that is correct.

Council Chair Rapozo: Okay.

Mr. Sherman: It is 244.

Council Chair Rapozo: Okay, so you do not need the full funding for that position going forward?

Mr. Shimonishi: I think when we look at the conversion of the time it takes to recruit, that is probably a correct assumption that we could back down on that salary. We would still need that position in order to assure that Dale would be able to return in the event that we bring someone else in as the IT Manager.

Council Chair Rapozo: As I understand that rule, the employee has to be given an opportunity to come back to their position. Is that correct? Does it state that we have to keep the position? In the event that any appointed position wants to come back down, we have to make sure we create a position for that person.

Mr. Shimonishi: I want to verify that with HR, but my understanding was that that position would remain intact. Whether we want to choose to short-fund it or not, that is something I am sure we are open to.

Council Chair Rapozo: Why would you not?

Mr. Shimonishi: Again, we were developing this budget, as Brandon was kind of saying, "Hey, I need to go."

Council Chair Rapozo: So you are looking at making E-90 a civil service position?

Mr. Shimonishi: Correct.

Council Chair Rapozo: Is that the plan right now to just convert it?

Mr. Shimonishi: In our initial discussions with the Mayor, yes, we would want to convert that to a civil-service position.

Council Chair Rapozo: Is that a good idea?

Mr. Shimonishi: Well, I think when you look at the division heads, typically they are not appointed positions. Trying to get someone to accept an appointed position from now until the end of the Mayor's term would probably be very difficult.

Council Chair Rapozo: But this is not a normal situation, right? It is typical that they run out the Mayor's term and then the new mayor comes in and decides who he wants to appoint. It is not fair to ask you how many other appointed positions are going to be converted. I have not seen anything like it—this budget year, I have seen more positions being changed, altered, manipulated than I have ever seen and it is kind of concerning, but I understand that the Mayor has the prerogative to do whatever he wants, but I just want to make sure that is in the best interest of the County.

Mr. Shimonishi: I think stability-wise it is.

Council Chair Rapozo: But you could just do it for all appointed positions and make them all civil-service, stability-wise. Do you know what I am saying? The County Clerk and everybody. If you want stability, that is what you want.

Mr. Shimonishi: Well, I guess it is a philosophy idea. As you know, the department head, myself, being appointed, yet, the division heads are all civil-service with the exception of IT.

Council Chair Rapozo: Okay. Thank you.

Committee Chair Kaneshiro: Councilmember Yukimura.

Councilmember Yukimura: Did we go into the CIP infrastructure for IT? I do not think it was covered in other infrastructure when we were doing CIP.

Committee Chair Kaneshiro: Ask the question.

Councilmember Yukimura: Okay. They have a very distinct part of their narrative is CIP project summary on page 30, so this would not be in our Operating Budget, but it would be in the CIP Budget.

Committee Chair Kaneshiro: Page 31.

Councilmember Yukimura: I want to start with the Payroll/Personnel System. Congratulations because there is this self-service employee system that was finished and accomplished and we all got notices that we can access our personal accounts, so that is a real achievement. I think the achievement is also reflected in the recent Comprehensive Annual Financial Report (CAFR)...no, it was in our recent audit, program audit, that showed that we did not have any findings for our payroll system, after it seems about ten (10) years of problems. In your Payroll/Personnel System now, what is the...here...the SunGard Employee Self-Service...that is completed, right?

Mr. Sherman: Yes, that is live. Correct.

Councilmember Yukimura: That is on page 34. NeoGov Performance Evaluation and Executime Time/Attendance—those are all completed?

Mr. Sherman: No, those are not yet completed. Those are still in process and not scheduled to go live until the second quarter.

Councilmember Yukimura: Okay. That is what is in our CIP for fiscal year 2018, these two (2) things under Payroll/Personnel System.

Mr. Sherman: Those are the two (2) big ones that are still yet to be completed and are all upcoming. Yes, that is correct.

Councilmember Yukimura: But you are on schedule and the budget is sufficient for it?

Mr. Sherman: To my knowledge, yes. Those are two (2) areas where I need to get up to speed with some of the details of those projects. Other than to

commit to saying that they are still on track, to my knowledge for second quarter this year, I cannot really offer any more detail about those.

Councilmember Yukimura: Okay. There is a working group known as the HRIS Task Force. That should be a source of continuity, but I am assuming that they will continue to assist IT with finishing these two (2) projects.

Mr. Sherman: Yes, most definitely, and I will likely take on Brandon's role in that task force. Brandon also left some detailed notes that I have to finish reviewing about where he was at in that process. It should be relatively easy to pick up where he left off and continue without creating any disruption.

Councilmember Yukimura: Okay. I have other questions.

Committee Chair Kaneshiro: I think you are the only one with questions. Go ahead.

Councilmember Yukimura: The cashiering system, which is mainly completed, too, right? It was \$180,000 in CIP funds and it is that iNovah...who mentioned that? Somebody mentioned it recently. It says that there remains approximately \$131,000 in CIP funds and that is to continue the upgrading of this system.

Mr. Sherman: Yes, that is correct.

Councilmember Yukimura: Are you familiar with this project?

Mr. Sherman: I am familiar with it. I have not been involved in the day-to-day process of what some of our IT staff have been doing to continue this project. Other than a brief discussion I had with our staff this morning as far as are we on-track and if everything is going smoothly, and the reassurance is, is that it is moving along as expected and we do not anticipate any problems. What has been outlined in your little overview there should be accurate.

Councilmember Yukimura: Okay. So this may be totally off the wall, but when cashiering systems were mentioned, I was wondering about the golf course cashiering system and they are not included in this.

Mr. Sherman: No, they are not.

Councilmember Yukimura: Is this something we should include or is it possible to include it? I guess that would then tie into the whole Parks cashier system, or would it?

Mr. Sherman: So your concern is just being able to collect payments by some other electronic means and having an accounting process in place for the golf course, for example?

Councilmember Yukimura: Well, I do not know whether it is standard practice to allow securing tee times electronically and I do not know if payments therefore are related, but potentially in the future. We are definitely trying to make our golf course operations more efficient and effective and get more play time so that we can get more player fees.

Mr. Sherman: That would have to be addressed as a different project. It would not be something that could fit into the existing structure that we have today, but another goal to work towards, certainly.

Councilmember Yukimura: Okay. I have been very concerned that the Planning Department is not on a GIS system and they are still basically working with paper files. I do not get from your Planning, Zoning/Engineering System project because it is just electronic plan review that Planning's issues are going to be addressed. I am also recalling that Brandon in his very first year he came on kind of outlined a system that we could work toward for Planning. I think as this report indicates, it is a lot of department initiative and commitment that is needed in order for you folks to make projects move forward. That may be part of the fact that there is...I do not think we have done anything since Brandon's first report to really see how to set up Planning with a GIS system that relates all its permits and everything to it and creates electronic files. That is a really big project, and my question was, is there any way that we were beginning to move on that?

Mr. Sherman: I think I was visiting them a few days ago, last week, and they have some monumental tasks that they have to deal with when it comes to being able to manage the volume of work that they process. I think it is worth taking a look at again to see how we might be able to streamline some of those things and provide them perhaps some technology that would them to better manage paper and being able to review these files electronically, but that would have to be dealt with as a separate project.

Councilmember Yukimura: Okay. Thank you. Finally, I notice that we are stopping the document imaging program. To me, this has a lot of learnings and maybe you have already incorporated those learnings into the future work of the department, but I do not know how much money we have spent on it. We definitely did not finish it or accomplish the goal or anything. I think it was for a lack of really thinking through how to do the project, so I am just hoping that we are really retrieving or getting the learnings from it so that we can, I guess, not repeat our mistakes.

Mr. Sherman: Regarding the document imaging as well, the money spent is not money wasted. We still have a fully functioning system in place that is being well-utilized, just not to the extent that Brandon kind of had envisioned it would be utilized.

Councilmember Yukimura: It was started before you came on?

Mr. Sherman: Yes, I think Brandon kind of picked up and ran with it and had some really high ideals as far as the different things that we could use this for. So departments are using it. Scanning is happening on a pretty regular basis.

Probably one of the key things though is establishing workflow is to take you from today forward to ensure that additional electronic information you capture is scanned and indexed properly. I think that is one of the things that would tie into what you mentioned as far as that needing to be in place to make things a success. It is something to think about as we move forward and try to reengage departments to use this.

Councilmember Yukimura: Yes. I think that current day forward, he said if that system is not in then you are always playing catch-up, right? So being able to from henceforth really do the scanning on a regular basis, and then you have a limited catch-up period. Otherwise, you are forever catching up.

Mr. Sherman: Sometimes you can never catch up. You just have to set a goal, "From this day forward, I am going to start using this." Historically, those documents are going to remain on paper.

Councilmember Yukimura: Okay. Thank you.

Committee Chair Kaneshiro: If there are no further questions for IT, we will move on to the Treasury. Thank you, Dale. Welcome onboard...well, you have been onboard already, but welcome to the hot seat.

Mr. Sherman: Thank you.

Councilmember Yukimura: You have been onboard since the 1st basically.

Committee Chair Kaneshiro: He has been onboard at the County for a number of years.

Mr. Sherman: Yes, but in this position, a few days.

Councilmember Yukimura: Is your Treasurer gone too?

Mr. Shimonishi: Our Treasurer has not gone yet, but he has indicated his intent to retire at the end of this year.

Committee Chair Kaneshiro: Is the Accountant III position also nearing retirement?

Mr. Shimonishi: We have not received any type of notification from that position, but it seems likely.

Committee Chair Kaneshiro: Can we ask you the questions?

Mr. Shimonishi: On the Treasury, yes. I have asked to have our Treasurer come over, so I apologize for the slight delay here.

Committee Chair Kaneshiro: Do we have any questions? The Treasury budget is not very big and there are not any changes to it. Any questions for Treasury? Councilmember Yukimura.

Councilmember Yukimura: It appears that the biggest issues at this point are regarding the positions. You cannot recruit until David leaves?

Mr. Shimonishi: No. We will go out for recruitment, I would say, within the next two (2) weeks. We will utilize that Section 3 of the proviso to say this is how we intend to justify having that temporary position there. Obviously, we want to get someone in or try to find an appropriate, qualified, trustworthy candidate to help move the division forward.

Councilmember Yukimura: I see that you are making the adjustment where Driver's Licensing and some of the divisions presently under the Treasurer's scope of work or scope of control, whatever you call it, will be shifted or at least there will be a manager that will address the issue that he has raised year after year, after year.

Mr. Shimonishi: Yes. I guess a little too late for Dave, but we are trying to restructure that, so that is exactly right. We are having a manager position over the Driver's License and Motor Vehicle Registration and take the Treasurer out of that role. I think it would be difficult to find a Treasurer who has that background who also has this DMW/Driver's Licensing supervisory type of experience. We want to focus on replacing the Treasurer, specific to that, and then have a manager over those two (2) areas.

Committee Chair Kaneshiro: In another department, we had a position that started with a "T" and I think it was used to transition an employee in. I know that the Treasurer has been there for a long time. As far as somebody just coming in cold and taking over, were you folks intending to just...once the Treasurer is gone, just hire somebody new and they take over right there or was there going to be some type of transition time? Is that money going to be budgeted for?

Mr. Shimonishi: The intent of utilizing Section 3 is that it allows us to go out and try to recruit for a temporary fill, so to speak. But the goal is to have overlap with the current, in this case, Treasurer, as well as a potential new candidate. Yes, we definitely want to see that. We have not budgeted additional dollars within that line item. I think our department is large enough that we could look through other accounts to try to pull some money somewhere and fund at least that portion of the salary once we get someone on; hopefully, we will get someone on, and if not then, in the next year's budget, we will have that covered.

Committee Chair Kaneshiro: Okay. Councilmember Yukimura.

Councilmember Yukimura: You forecasted that one of the new policies you want to develop in Long-Term Financial Planning is investment policy, and that is worthy in the Treasurer's *kuleana*. If you were able to get somebody onboard in a temporary position and have your present Treasurer there during this year to develop the investment

policy, that would be a great way to do the hand-off, because you would have both the new and the old or the new and the current treasurers involved.

Mr. Shimonishi: We did have Dave provide input into the investment policy thus far.

Councilmember Yukimura: Your policy?

Mr. Shimonishi: Our investment policy that we drafted with the GFOA and the investments are rather restrictive from an Hawai'i Revised Statutes (HRS) standpoint. So they do not let you get really creative, so we are comfortable that at least from that standpoint, we have that input from the current Treasurer to help guide the policy.

Councilmember Yukimura: The new Treasurer will be the one who implements the policy?

Mr. Shimonishi: Well, I think adheres to the policy.

Councilmember Yukimura: Adheres to the policy. May I ask a question about that investment policy? Do the HRS restrictions provide the best structure for investments or are there ways to modernize it that would not increase the risk, but allow for more creativity and productivity?

DAVID SPANSKI, County Treasurer: That is an issue for the legislature. They write the HRS.

Councilmember Yukimura: It is an issue for the legislature, but we, who are affected by the legislation—like in Planning for example, the legislative policy on agricultural lands is terrible and I have seen planning directors go and advocate for changes to the legislation. I do see it as a role. If we feel that the legislation is outdated and could be improved, then we do go forward and say, "Hey, what about this?"

Mr. Spanski: Yes, and that has been done. It was on last year and it was not heard. I think the bill is being heard this year and it is pushed by Maui and us, and what they are trying to do is just mirror what the State has. The State has a couple more things to do that we do not have, say commercial paper or something to that sort. There are things out there. Again, we are not out to speculate. We do not invest in stocks. We only invest in...we will call it "debt"—federal mortgage—backed securities that is backed by the faith of the United States, we will invest in the Certificates of Deposit (CDs) up to the \$250,000 FDIC insurance, and then on the local banks, we have them collateralize the money. If I have \$1,000,000 in there, they have to have \$1,000,000 plus. They are investments assigned to us, held by a third party. In case they default, we get our money back directly.

Councilmember Yukimura: Yes, very safe. The State has more options that are within the safety parameters. Then it seems to me like it would be logical that the counties have the same.

Mr. Spanski: There is a bill up there now and I cannot quote it, but I can show you.

Councilmember Yukimura: No, it is fine. It is just good to know that you folks are being proactive and going forward. I do not need to know anything more. Thank you.

Committee Chair Kaneshiro: Any further questions for Treasury? If not, we will move on to Driver's License. Okay, we will move on.

Council Chair Rapozo: I only have one (1) question.

Committee Chair Kaneshiro: Council Chair Rapozo.

Council Chair Rapozo: What is the status and the plan for the manager's position?

Mr. Shimonishi: So with that manager's position, it took a little while for us to reorganize/redescribe that position. We went out for recruitment. We did not have any qualified candidates. We went back out again and we have, I believe, eight (8) qualified candidates, which we will setup interviews shortly to start.

Council Chair Rapozo: So that is Position No. 562?

Mr. Shimonishi: Yes, that is correct.

Council Chair Rapozo: Okay. So you anticipate that position to be filled before the end of the fiscal year? What is your timeframe for getting that person onboard?

Mr. Shimonishi: That would be ideal...I guess...

Council Chair Rapozo: You only have interviews left, right?

Mr. Shimonishi: Correct, so notification, interviews, and then selection.

Council Chair Rapozo: So that is three (3) months. Can you get somebody in before three (3) months?

Mr. Shimonishi: I think so.

Councilmember Yukimura: Or shortly thereafter. You might select one, but not get right onboard.

Council Chair Rapozo: I will just ask Councilmember Yukimura if I have a question. Thanks.

Committee Chair Kaneshiro: Further questions for Driver's License?
Councilmember Chock.

Councilmember Chock: For the vehicle safety inspection program, is that Driver's License or Motor Vehicle Registration?

Mr. Spanski: It is under Driver's License.

Councilmember Chock: Is that the right place for it to be in your opinion?

Mr. Spanski: According to the State, yes. That is a State-funded position.

Councilmember Chock: It used to be under Driver's License.

Mr. Spanski: Right.

Councilmember Chock: Thank you.

Committee Chair Kaneshiro: Councilmember Yukimura.

Councilmember Yukimura: So taxi cabs are also under your...

Mr. Spanski: No, that would be the Vehicle Licensing Manager. We go over this every couple of years.

Councilmember Yukimura: Yes.

Mr. Spanski: Yes, there are thirty-nine (39) taxi companies, fifty-seven (57) taxi vehicles, one hundred ten (110) licensed taxi drivers that generates \$9,500 a year. We do not have a taxi cab enforcer, if you will.

Councilmember Yukimura: No taxi cab enforcer who enforces the requirements.

Mr. Spanski: Right. If they have time, the chief will drive somewhere and watch or if there is someone who may do a complaint, then we ask for the complaints to be in writing, and then we will follow-up.

Councilmember Yukimura: That is per State legislation.

Mr. Spanski: No, that is the...

Councilmember Yukimura: That is our taxi cab ordinance.

Mr. Spanski: You have your own ordinance.

Councilmember Yukimura: Okay, so we have our taxi cab ordinance. Maybe we should pay for a State position to enforce...

Mr. Spanski: Well, the State guys have their own guys at the airports and at the docks.

Councilmember Yukimura: They are PUC inspectors?

Mr. Spanski: Right.

Councilmember Yukimura: If they are doing that already...they pay us to have a position to collect driver's license fees, maybe we should pay them to have an inspector that would be part of their system.

Mr. Spanski: Well, I do not know if they have the actual guy, if it is not just under the purview of the Airports Manager or the Harbor Master.

Councilmember Yukimura: Okay. But \$9,500 in fees that comes into County coffers?

Mr. Spanski: Right.

Councilmember Yukimura: Okay. Thank you.

Committee Chair Kaneshiro: Any further questions? If not, we will move on to Motor Vehicle. We will move on, page 63. Councilmember Brun.

Councilmember Brun: For the Motor Vehicles, the total Salary item went down, right?

Mr. Spanski: Yes, there was a retirement in November and we back float with a...we had to downgrade the position.

Councilmember Brun: Okay. That is a good sign.

Committee Chair Kaneshiro: Our overall Motor Vehicle budget went down. There is not much going on there.

Mr. Spanski: There is a lot going on.

Committee Chair Kaneshiro: In the division, but not much change in the numbers. Councilmember Yukimura.

Councilmember Yukimura: I just want to give you some information. I was talking to some friends in a very informal situation. We were talking about what is wrong with the County...

Mr. Spanski: Do you have a lot of time?

Councilmember Yukimura: I said, "What is something that is right about the County?" It is funny. They said, "Driver licensing is far better here." One person said, "In Florida, it was horrible." Somebody else said, "In Minnesota, it was terrible. The lines were really long." Well, at Driver's Licensing, there are not really long lines, right?

Mr. Spanski: Just certain times, but it is a long process now with the REAL ID Act inputs.

Councilmember Yukimura: Yes, I know.

Mr. Spanski: There is a lot of documentation to vet the person and so on.

Councilmember Yukimura: You folks have adjusted really well to all of those ridiculous requirements. Anyway, I just wanted to give you the positive feedback that they thought we were doing far better than most places.

Mr. Spanski: Right.

Councilmember Yukimura: Tell your staff.

Mr. Spanski: You should tell them also.

Councilmember Yukimura: Okay. I will.

Committee Chair Kaneshiro: If there are no other questions, we will move on to Purchasing. Purchasing is on page 78 in our binder, page 55 in their write-up.

Councilmember Yukimura: Thank you, Dave.

Committee Chair Kaneshiro: Any questions for Purchasing? Their budget decreased. They had Position No. 232, which was \$89,000 in the prior year. This year, it is dollar-funded.

Councilmember Yukimura: Kudos to the head of Purchasing. I see the progress report on the digital signatures and electronic records. It sounds really, really good. I did have a question on whether there are security issues involved with that. I want to say, while Ernie is coming to the seat here, that I really appreciate the cyber security efforts and projects by IT as well, that we were monitoring that high profile issue right now.

Mr. Barreira: Good morning, Ernie Barreira, Budget and Purchasing Chief.

Councilmember Yukimura: I do not know that there is a security issue, but use of signature could be improperly used, so I presume that in the process of setting all of this up, there have been these protections put in place.

Mr. Barreira: Yes. In fact, after the issuance of the two (2) legal opinions by the Office of the County Attorney, followed by the resolution that was approved by this Council, one of the requirements of the legal opinion in terms of digital signatures was the establishment of a digital signature policy, which covers all of the elements that are currently required, in terms of security features, which is a critical element of all digital signatures. Currently, the digital signatures that we are using at the Division of Purchasing meets that security requirement because it is the same system that mandates that we utilize a sign-on onto our access to the computer system and the digital signature processed through Adobe Acrobat migrates through that authorization. There are current security features in place. They will be further formalized as we approve the digital signature policy, which has been drafted and been reviewed, and is pending further review ultimately by the Director of Finance for signature and approval.

Councilmember Yukimura: Okay. Very good. Thank you.

Mr. Barreira: You are welcome.

Committee Chair Kaneshiro: Any further questions for Purchasing? If not, we will take our ten-minute caption break and the Kaua'i Humane Society is on their way. If there are no other questions, we will take a ten-minute caption break and be back.

There being no objections, the meeting recessed at 10:55 a.m.

The meeting reconvened at 11:18 a.m., and proceeded as follows:

Committee Chair Kaneshiro: Welcome back. We are on the Kaua'i Humane Society. I just want to put it out there that they are not asking for any more money. The money is still the same as the prior year, \$780,000. We were provided with some information. If you have any questions on the information, I think I will just ask with the audit, I think we were tasked with looking at how we are going to allocate costs. So just where we are in that process and renegotiating the contract. I think the cost allocation was one of the most important things we got out of the audit and how that is going.

SCOTT PISANI, Executive Director, Kaua'i Humane Society: Okay.

Committee Chair Kaneshiro: Scott, just state your name, for the record.

Mr. Pisani: Sure.

Committee Chair Kaneshiro: The budget is \$780,000 that we are providing to the Kaua'i Humane Society.

Mr. Pisani: Scott Pisani, Executive Director at the Kaua'i Humane Society. I apologize for not getting the Council the paperwork ahead of time. So it is not in your binders. I will take you quickly through it. I will not spend a lot of time, maybe five (5) minutes, just so you can see how it is organized. The first section has four (4) items, the budget request for Fiscal Year 2018, significant changes between Fiscal Years 2017 and 2018, some discussion about personnel, and then to your point, Committee Chair Kaneshiro, the allocation methodology, which is one of the key things for us to be looking at. I have also included some appendices there included in order of the actual section. But you can see the different appendices that are there, which give you a lot of detail, probably more detail than you might want, but hopefully it will be helpful. As you mentioned, we are requesting the same amount as prior year, \$780,000, and that is our budget request for Fiscal Year 2018. There is an appendix for this section, which is a large 12-page colorful detail of the budgets by line item. It is broken out for the combined amounts for KHS, our Save Our Shearwaters Department, and the County. But ultimately, the part that applies here is obviously the County column. This is historical. The numbers that are in color are items for each fiscal year, and they are the budget amounts for Fiscal Year 2018, Fiscal Year 2017, and Fiscal Year 2016, I believe is how far we go back. Next to those, where appropriate, I tried to put actuals. So we do not have corollary actuals obviously for the coming year and we do not have them complete for the current year yet. But what I have included on the first four (4) pages is rolling twelve (12) months ending February just to give us an understanding of where our actual costs are approximately to compare for the current budget. Does that make sense? The green columns are our actual detailed budget or detailed allocation, if you will, the amount of resources that we expect to expend in supporting the contract. In gray next to it on the first page and on the first four (4) pages are the expenses of the resources we have put towards the contract for the last twelve (12) months ended February of 2017 just for comparison sake.

Committee Chair Kaneshiro: Okay. Thank you. Good.

Mr. Pisani: I will keep going through and then we can go back to any questions to you may have. The next item, Item B, changes from Fiscal Year 2017 to 2018. Overall, our estimates for the services we are going to provide under contract for the cost that we experience have increased from \$924,000 to \$1,081,000. Again, these are all based around that allocation methodology. So as the allocation methodology might change, those numbers might change. As we talked about in the prior Council Meeting with the auditors, these things can be a challenge and to some extent, it is a matter of trying to determine what is the most administratively reasonable way of doing it and efficient way of doing it, but in an effort to try to get this as accurate as possible. But recognizing some in areas because we are operating one (1) shelter, not two (2) shelters it becomes a challenge in some areas. The key of this is that we expect to be investing more in the coming year. Some of that will be related to things like increasing personnel costs and things like that, but the key items that I wanted to highlight are that we are targeting to hire an Animal Enrichment Specialist, which will ensure that animals under our care are provided with appropriate mental and emotional support during and after their hold

periods at the shelter. What I mean by this is we often talk about the physical requirements, getting them their food, cleaning their kennels, and things like that. But in today's animal welfare world, the expectation is that animals do have a certain minimal level of animal enrichment that is required when you are in a kennel setting. This provides ultimately for a more likely outcome of adoption versus deterioration of behavior while in the shelter, but it is pretty standard. We have included that and we have included that as a cost break similar to our medical team, which is fifty/fifty (50/50) between the County and KHS.

Additionally, Field Dispatch, we have hired a Field Dispatch person. That person is already in place. This is something that we have talked about in previous conversations about our responsiveness and the ability to make sure that when someone calls in whether it be a cruelty request, or a barking dog, or a lost dog, or someone in immediate danger, we have someone there who is answering the phone, answering voicemails, and getting back and dispatching our personnel. Without that, we really have not...well, let us just say that we have expected an increase in the quality experienced by our community because of that. Additionally, we have increased our Humane Officers by point four (0.4) full-time equivalent, and that has to do with basically, we have taken, and I mention this in here as well, we have taken what was a person dedicated to the Barking Dog Ordinance support, which we found not to be the most effective way of addressing barking dogs because with a part-time person doing barking dogs, that person was only working a few hours each day, and that really was not getting what we needed as far as the response to the community. What we did instead was we rolled those responsibilities into the team as a whole, so now we can have coverage whenever there is somebody working and we are going to continue to track it. They are tracking their time separately on barking dogs to see if, in fact, they are spending more time to barking dog support. We rolled that in there and we also sort of invested as well in just more Humane Officer's time to give better support. Lastly, we hired an additional Medical Technician and that person again, like the rest of the medical team, is allocated fifty/fifty (50/50) between the two (2). In that sense, those were all additional resources we are putting towards providing better quality services to the County and to its residents without asking for any more money to support that. That is where you see the increase in the overall budget expectation for the coming year.

Personnel, I mentioned a couple of the items. Generally speaking right now, we are fully staffed in the Humane Officers area, and that includes our dispatch position. We have actually had good luck although we have had some turnover, we have been able to hire pretty quickly and have been pretty effective in that area. We are much more challenged on the animal care side. This has been historic. I think looking back, I am not sure there has actually been a time in the last three (3) years that we were ever fully staffed. It is just simply very challenging to hire for these positions. So we are looking at what we can do there and what different options we might have because those are tough positions to hire for. That affects both sides of the shelter, both the County side as well as the ongoing work that KHS does. The Medical Technician position has already been posted. I mentioned the additional position, and that is open at the moment. We have not opened the Animal Enrichment Specialist that I mentioned.

The last section is on allocation methodology. As we mentioned Spire recommended that we have greater clarity around our allocation methodology, which is really the methodology used to report what resources were expended by Kaua'i Humane Society in the execution of services agreed upon under the contract. It is important to note the nuance that this is not an accounting for how all of the money was spent *per se*. It is really a matter of understanding the resources dedicated to the support of the services agreed under the contract. What we would like to do, we would recommend that we have each year, prior to the fiscal year starting, that we draft, or in the case of once we have it, we modify as appropriate an allocation methodology memo that the two (2) parties can agree to and recognize that this is for the coming year and this is how we agree that the expenses will be split. Right or wrong, this is our approach to doing it. The intention is that we do it as appropriately as possible and that on an annual basis, we review it to see if there are any improvements we can make in that allocation. I think this is one of those pieces that, in a sense, was lacking, this kind of clear agreement, and it will be a written document versus a verbal agreement about, "This is about how we approach it." The intention of this document is to get into the nitty-gritty detail of how we allocate vendor invoices, how we allocate personnel, and all those types of things. I have included a draft in the first appendix, or in this section, "Appendix D1" is a draft of what that memo might look like. It has the overview, historic approach. It shows how personnel costs are broken down and different types of expenses and how they might break out. Right now, it is a three-page document and marked "draft" because it is just a draft and it would be something that we would go through. Prior to the start of the fiscal year, both parties would look at it, review it, adjust as appropriate, and would agree to that. I think that would help clarify the allocation methodology.

The last items I will point out are additional appendices, D2, D3, and D4. D4 is part of the allocation methodology and gets into the actual invoices and expenses by line item. I am not sure it is worthwhile to necessarily go through here. The two (2) items that I thought that the Council might be interested in, because they do tie directly to our understanding of how the allocation might work, is Appendix D2 and D3. D2 is interesting, because this gives some historical information around how many animals come to the Kaua'i Humane Society. You can see that we have had quite a fluctuation in the number of animals over the last few years. Based upon what we have seen over the last four (4) to five (5) months is that we are going to be increasing the number of intakes that we see. Though there has been discussion, as I understand it in the last few years, that a reduction in intake was a good thing and a result of successful Trap-Neuter-Release (TNR) efforts. I believe that, in fact, it was more a result of perhaps an ebbing of the trust between the community and KHS, which resulted in lots of folks, lots of individuals in our community, taking matters, if you will, into their own hands, which I appreciate their passion towards doing that. But as we provide better service and a better confidence-level to our community, we expect that the animals will return. The animals, in a sense never, went away; it was just a matter of them being handled outside of this process. I would look for ways that we can continue to partner with our community. If they can effectively help us and support us in that way, that would be great. I am not looking to try to take in every animal, if necessary. Having said that, people who look for stray animals come to the Kaua'i Humane Society looking for them there, so I want to make sure that whatever approach our community uses, even if it is a combination, private, public, if you will,

approach, then ultimately, it is having the effect of saving the lives on more animals and getting more animals back to their owners when they are strays. So just a little bit about that. You can sort of see the numbers. Although we have seizures each year, although they are a relatively small percentage of the total animals that we take in—generally speaking, the amount of animals that we take in from...when I say “Intake-owner,” it is an owner-surrendered animal. Those are actually, as you can see, a relatively lower percentage than the strays. It is also worth noting that a number of the owner-surrendered animals are actually sometimes related to a seizure situation. If our officers go out and are in a situation where there is an animal, perhaps at-risk of cruelty or at-risk of just not being in a great environment, we will typically approach it as saying, “Would you like to surrender your animal?” because the animal would be in a better situation if the animal is surrendered. They are often successful at that, so it is worth noting that with the seizure number, there is this sort of “owner-surrender’s seizure,” where it is not an official seizure, but it is an owner-surrender that is happening, because it is more efficient, rather than hold an animal for ten (10) days and go through all of the legal requirements and potentially have a court case. It can be more effective to have just an animal be surrendered to the Kaua’i Humane Society, where it can potentially be treated, and then potentially be adopted.

A couple other items that I just wanted to point out—I know there are a lot of numbers on the sheet, but the things I want to point out—our allocation methodology, in particular, around the staffing of the animal care team, and this is something that my predecessor has shared with me, that we approached it not to say that a percentage of the animal care staff were associated with the County versus KHS, but what the approach taken was based upon the number of stray animals coming in and the assumption that on average those stray animals would be under a hold period for four (4) days, and where the four (4) days arises is the idea that typically it is a two-day period, with a day on the intake side and a day on the outside or end of that period, as well as the fact that we are closed on Sundays, which can extend the stray hold for a period of up to three (3) days. So based upon assuming that these animals are cared for four (4) days, we utilize an industry standard formula from the National Association of Animal Care and Control, and from that, we have developed an estimate that four (4) of our animal care staff should be allocated to the County. I have shown the calculation of that for the prior few years on here, and as you can see, it generally does fluctuate right around four (4). In early years, back in 2013, our projections for 2012, it was five (5) or six (6), but generally speaking, it does appear that four (4) was a pretty reasonable figure to be using. We could approach it with a different allocation, and we will talk about that in a second, but I just wanted to point that out.

Additionally, the percentage of animals that we typically are taking in is about 77% to 80% stray animals. The days required for caring for those animals is typically about 80%. The last page that I want to point out is on Appendix D3, which was a request from the Director of Finance. We wanted to look at the overall care of animals, the number of days of animals in a kennel, and how much of that is associated with stray animals versus owner-surrenders. If you look at the entire period that a stray animal or seized animal is with the Kaua’i Humane Society versus how long owner-surrendered animals are with the Kaua’i Humane Society—generally speaking, as I kind of mentioned, it is somewhere between 75% and 85% are associated with the stray animals. In other words, the general

thought is that 85% of our animal care/animal husbandry efforts, are related to stray animals for their period. However, if we look at focusing only on the four (4) days per stray animal, and then if there was a time where animals were there a shorter period of time then we shorten it...less than four (4) days. If they are there four (4) days, we just focus on that period, then the amount of effort towards those animals is about 23% of our total effort versus 77% for owned animals and that period after the four (4) days. The reason that is important is if you take the philosophy that what is being contracted to the Kaua'i Humane Society is care for that first period of time while animals are under hold—in a sense, 23% of our animal care/animal husbandry efforts are in that period and 77% are outside of that. However, I think it is a reasonable discussion about that concept, because ultimately, the County is required to have a shelter themselves for animals or to contract for a shelter. No shelter that I am aware of and nor would it be one that our community would positive about would be one that only worries about animals during the hold period, and then presumably would euthanize them after that. A shelter is a place where animals should have the opportunity to be adopted. The approach we have used historically, sort of splitting many of those animal husbandry costs between the two, seems to be appropriate, because in a sense, we are effectively splitting the difference between the total effort that is being made for their entire length of stay, and then what is by a very strict reading of that period of the stray. I apologize, that is a lot of information.

Committee Chair Kaneshiro: The more information you provide, the more questions you will get.

Mr. Pisani: That is good. It is obviously a good time, given the audit, and also with my being new to this role. I welcome the opportunity to have a good discussion. As we said, I do not think any of these pieces are going to change the fact that we believe that for right now, the best thing is to continue to have the same budget amount. We also believe that we are making some changes, looking at our financial controls, and investing in certain key areas that we think we help provide greater service to the community. As we do that and as we spend more time looking at the allocation methodology in hopefully excruciating detail, we can get comfortable with that. I do not think that any changes that we would make with the allocation methodology, despite any of these things...I do not know if they have a material impact, but they would not, in any way, ever approach a point where it would look like our resources were less than or even near the \$780,000 that we provide. In fact, as was mentioned at the County Council meeting, as we go through this process, there are some items that actually increase the allocation to the County. For example, our medical services, which are provided at 50%/50% allocation for the most part, in fact, are probably tied more to a per animal amount than they are to a total number of days you treat that animal. In other words, most of our medical work is done for every single animal when they come through the door and the surgery when they get adopted. I do not know that as we go through this process...we are not completely sure exactly how that will play out. My expectation would be that I do not expect that it would ever adjust so significantly one way or the other that it would mean that we would be showing our resources towards the services as under the contract as ever approaching or being as low as \$780,000. I would expect they will still be around where they are now, which is approximately, what we expect, \$1,000,000 next year.

Committee Chair Kaneshiro: Thank you for putting the presentation together. It was a lot of information, but it was easy to follow with the way you laid it out. Do we have any questions? Council Chair Rapozo.

Council Chair Rapozo: Thank you for showing up and being here. I appreciate the breakdown. I have some questions as it relates to the allocation of the expenses. The way I look at it is we contract with the Kaua'i Humane Society to perform certain functions as it relates to animals, but yet, I see that we are paying for audit expenses, bank charges, outside professional services, Directors and Officers (D&O) insurance, general liability, and officer professional liability, which we are fully funding that at 100%, gas and propane 57%, trash disposal 46%, and telephone 45%. I do not know if I have seen that kind of contract where we fund the expenses of the organization. We pay for the services that your provide, but what I am seeing is that quite a bit of the administrative functions or administrative expenses, like the bank charges, I do not know where the relationship, connection, or audit expense would tie into the work that is being performed for the County.

Mr. Pisani: It is a fair question. To clarify, in a sense, the County is simply contracting for services, as you said. What the allocation methodology is not to say that we are charging back any of those services directly to the County or that they are paying it...there is no reimbursement under this contract at all. What we are trying to estimate is what is the cost for us to operate a shelter on your behalf? If we operate a shelter on your behalf, we are required to be audited. We are required to run the electricity. We are required to run the propane. Things like bank charges would be related to the bank charges for people paying for County-related services. We similarly show you the revenue related to County-related services. For example, licensing is in there. This is an attempt to make a representation of what it costs us to operate a shelter on behalf of the County in the way that the County would need to do it as well. If, in fact, the County were to take on ...if we were, for example, only to do County services and not separately have the KHS piece to it, then the full cost of the audit would be associated...if the County decided to run a shelter, I guess on the audit side, I am not sure what your audit responsibilities are, if you would have to pay for someone to come in and audit the financials of that department. But these other areas are all ones that you would take on wholly. The fact of the matter is for us to operate a shelter on behalf of the County, if we are going to do that, we are required as an organization to be audited. The auditing fees, for example, 50/50 between the two organizations is simply a matter of saying, in a sense, KHS is doing significantly two different things: one is operating a shelter that it would otherwise be doing as a nonprofit, and the other is operating a shelter on behalf of the County. So that is the thinking behind it. If we were simply providing Humane Officers' work and things like that, then I think that might be a different issue. I will mention the liability issue is something that is required specifically. In other words, officer liability is not officers of the organization; it is Humane Officers' liability. In other words, that is a requirement that I believe would be the case for anybody...it ties to the actual service that a Humane Officer is providing, not to officers of the organization, just for clarity. But generally speaking, when it comes to the administrative aspects of running a shelter business, we have chosen...not chosen, but I think historically what we have agreed is to allocate that 50/50 between the two. We can have a discussion about that, but I think the spirit of it is to say that we are

taking something off of the County's hands, that the County has asked us to do on their behalf, and for us to run that, we have tried to make what is an appropriate show of this is what it costs us every day to run it. That is how we have tried to approach this, which is to say, "What is a reasonable cost for the fact that we are operating a shelter on behalf of the County?" Does that answer your question?

Council Chair Rapozo: It is an answer. I do not know if I agree with that. I am just saying that I thought that the way we do a contract is the County would fund the appropriate portion of the funds that are directly related to the services that are provided for the County, much like any other contract where we have the organization, whether it is the YWCA or any of these nonprofits that provide a service that it is for direct services and not that we are helping to pay for the expenses. I guess that is where I am having a hard time, and part of the problem is in the prior years, we would just charge a lot. It is nice to see it broken down like this because I think it is much easier to see, but I do not necessarily agree that the County should be paying for 46% of the Directors and Officers insurance. I am assuming that is for your Board of Directors.

Mr. Pisani: It is.

Council Chair Rapozo: Why should the taxpayers be paying 46% of that? That is not a direct service to the contract. That is something that I will look at...the Finance Director...as you folks have any discussions. I am hoping that we are going to have some kind of discussion before the end of the fiscal year with some of the Members of the Council as well so that some of the concerns can be heard. I kind of think for the direct services, what does it really cost to provide those services? Then the other question is, and you may have explained it, but you were going really quickly and I think I caught most of it, but you are saying the increase in the salaries from 942 to 1.5—so just about a little over \$500,000. Did I hear you say that is because of filling all of the positions?

Mr. Pisani: Well, the difference in the total payroll between the prior year budget and current year budget was actually \$127,000. So that is a good portion of that. I am getting that from page 6, as it has the 2016-2017 budget in blue. The County-allocated amount was \$750,000 last year and this year the County-allocated amount is \$780,000.

Council Chair Rapozo: I am looking at Appendix A1, page 2 of 12.

Mr. Pisani: Right.

Council Chair Rapozo: If you come across payroll, regular salaries and wages—combined is \$1,500,000 and 16-17 is showing \$942,000.

Mr. Pisani: Right.

Council Chair Rapozo: So that is about \$600,000.

Mr. Pisani: That is our actuals. I will say that although we budget for assuming that we will fully staff all positions throughout, we do not actually put in anything for turnover. The \$942,000, which is a rolling twelve-month amount, if you look at the prior year, we budgeted \$1,200,000 for the total organization, which has been increased to \$1,500,000 for the entire organization. So the \$942,000 that you noticed is a fact that we simply, on a regular basis, are not fully staffing all of the positions. I would expect that when it comes to actuals for the coming year, the actual results will be something less than what you are seeing as the \$1,500,000 and that is simply because of turnover and the fact we cannot fill positions permanently.

Council Chair Rapozo: Will the County be credited for that? Because right now we are paying...with this budget here, the County is funding \$624,979 and that an assumption that you are fully funding.

Mr. Pisani: Right.

Council Chair Rapozo: Let us say we go through the year and you are not, it is almost like the Administration coming to us with all of these vacant positions that are fully funded. But at some point, I think that if, in fact, your actuals are \$942,000, then I would assume that this County is going to withhold \$500,000 or whatever the portion is...the 40% of the \$624,000.

Mr. Pisani: A couple of points to that. One, on the payroll piece, this is by position. So although some positions are shared, there are other positions where KHS is investing and there are different positions. So it is not necessarily always a flat forty percent (40%). It just happens to be that we look at it by position and roll it up. Having said that, that type of approach would make more sense if the County is willing to pay us \$1,000,000 because that is what our actual costs are expected to be. If we come to an agreement that instead we are going to increase the budget amount to \$1,000,000, and then we adjust it down, if we do not hire the staff, that is a conversation we can have. My expectation is that even if we have that, we are still going to have expenses greater than \$780,000. Again, this ties into what we expect...what we are asking for the fees and services is \$780,000. This is not a reimbursable contract. We are not charging the people of Kaua'i for personnel or we are not charging them for the audit fees. This is our explanation of how we spend that money. We are charging \$780,000 to the people of Kaua'i for these services. If we want to change this and make it a reimbursable contract, we can go down that route. I would recommend that we consider that before we do, both because it is administratively difficult and I think it will significantly increase the costs to the County.

Council Chair Rapozo: So the "outside professional services," what would that entail?

Mr. Pisani: I believe that relates to independent contractors. I do not have the details specifically to what that is, but I think it is people as we have had where there are positions that are not filled or where we have someone come in and fill that position, so we allocate those people the same way we would allocate them according to that particular position. For example, if our Controller, who is a person...again, based on how

we have approached it, it is an administrative person, so we split that cost 50/50. If that person is out for an extended period of time, we would hire in an independent contractor to fill some or all of that person's duties and we would similarly charge that 50/50. I agree that a number where you see a significant amount paid towards that does also look strange in a sense, but it really is just a result of the fact that we have some turnover issues or we are not generally staffed to have automatic backup, if you will, for every single position. So it means that at times when someone leaves or if there is a leave of absence or something like that, like medical leave or turnover, we sometimes have to fill that position on a quick basis and we pay more for an independent contractor than we would for that person sitting in that position. To some extent, it is the nature and challenge of trying to operate at a reasonable budget as appropriately as possible on the island of Kaua'i. I can get more detail, Chairman, if you would like, with regards to those amounts.

Council Chair Rapozo: I was just curious. \$10,000 is not going to make or break the contract, but I was just curious what that would entail. Thank you.

Committee Chair Kaneshiro: Are there any further questions? Councilmember Yukimura.

Councilmember Yukimura: So on your historical intake and care days statistics—by the way, I know you said that this is a lot of information to throw on us and you apologized, but I appreciate the information and I figured that given the short time you have been on the job, this is a lot of information to put together as well. I feel like I need some time to really digest it, so there may be questions as a follow up.

Mr. Pisani: Of course.

Councilmember Yukimura: On this particular Appendix D2, where you say "staff count associated with strays/seizure hold periods based on four (4) days for strays and ten (10) days for seizures"—just to be clear, "seizures" are where they are chipped animals or they have an owner, and therefore, you keep them for longer than the statutorily required four (4) days for strays.

Mr. Pisani: That is right. A seized animal seized for investigation of cruelty would be the other case. So we go out and see an animal that is under difficult negative circumstances, basically under cruelty, and we seize that animal immediately, which we are provided the authority to do. Then we hold that animal for whatever length of time until that court case is resolved. There can be different situations and different outcomes. In other words, the person might plead guilty or surrender the animal, but we are required to hold that animal for a longer period of time in some cases. That is not typical, but it does impact us. Every once in a while, we will have a situation where a court case takes three (3) months, so we will actually hold that animal for three (3) months. For ease of analysis, we just used ten (10) days as average for that. It is not going to have a significant material effect, because for example, in this case, if we are talking about thirty-five (35) animals projected for 2018 that will be seized, it is assuming ten (10) days for each of those. Even if that were to change to eight (8) days or twelve (12) days, it should not have significant impact. One animal or say if we suddenly took in twenty (20)

animals that had a court case and we held them for one (1) year...you will see that data...I think in the actual...I forgot which year it was...I think in fiscal year 2014 to 2015, we saw a significant increase in the kennel days, if you will, that we held seized animals. But that is a tougher number. It is just hard, but that is the explanation behind it. It is not too material to the calculation because it is such a small number of animals in the current year and next year.

Councilmember Yukimura: Do you have a rule of thumb in terms of a per day cost of holding an animal? Is there a difference between seizure and stray in terms of per day costs?

Mr. Pisani: I would not think normally there would be. The only thing might be...if a seized animal is seized because of an aggressive dog situation, generally speaking, and it is hard to quantify, but we could say that you might see a slight increase in costs because if you have an aggressive dog that you are holding, then that is to keep your staff safe and things like that, you tend to have more procedures around it. Generally speaking, no. I would assume that for purposes of this kind of analysis, it is reasonable to assume that the per day cost for seized animals and stray animals is approximately the same.

Councilmember Yukimura: So there would be one figure for either. I was just curious what each day's cost is if you have it.

Mr. Pisani: I do not, but I am taking note because that is a good question. It is a hard thing to calculate, but we can come up with a calculation and show you the assumptions behind it. Any shelter would say the same thing. It is a challenge to really, truly define what your cost is per animal and also what your cost is per day for husbandry, but we can do that.

Councilmember Yukimura: From a public policy standpoint, I do not need a really definitive figure. It just gives us an idea that the present policy is four (4) days, you shall keep them. It just helps us understand what kinds of costs are associated with that. There might be a lot of pressure from the public to, say keep strays for ten (10) days instead of four (4) days. It is helpful to know and help to explain to the public what kinds of costs that is.

Mr. Pisani: Agreed. As another reference point for that, what I can get you, I believe that one of the other shelters in the Hawaiian Islands...actually, their contract is defined more that way. I am not sure if you knew, but to where in other words...maybe this is to Chair Rapozo's point that this is something else we can look at, which is they basically say, you take an animal in and it is an "x" dollar charge. You keep an animal for this number of days, per day it is this charge. We assume that, so the amount that is reimbursed is completely...you do not get into all this sort of behind the scenes, here is what it costs us to do this, and you are focused on, "This is what we charge you. We charge you for this service we provide. For this particular animal, this is what it costs." Whether that is an animal care day, medical procedure, or just maybe an intake, whatever that looks like. It is something that we can definitely look at and we can

compare to that organization, because I believe one of the other humane societies on one of the Hawaiian Islands charges it more in that fashion.

Councilmember Yukimura: This brings up, for me, another question. I presume there is a differential in per day costs of keeping a cat and per day cost of keeping a dog, at least just in terms of dog food and cat food. I do not know about keeping shearwaters and horses.

Mr. Pisani: Generally speaking, I kept the analysis to cats and dogs because we just have not seen the horses as much and it adds a lot of complexity to the analysis without a lot of benefit. To Save Our Shearwaters, I talked about how difficult it could be to breakdown costs. To Save Our Shearwaters, because it is a completely different species, we have a staff that is dedicated to that and they have their own medical expenses, which they order themselves and they have their own food, which they order themselves. Actually on that piece, we have luckily been able to handle that pretty independently without much problem. It gets into a little bit of a challenge when you think about things like electricity, and we do allocate a portion of that, but that is one piece that has been a little easier. You are right. There is a possibility that cats and dogs might be different. Remember though that cats do have litter while dogs do not and there are different things that may be different costs that are there. Generally speaking, when it comes to this formula with the staff count, if the assumption is...it is generally an industry standard, that it is actual specific husbandry piece of your day is fifteen (15) minutes per animal, regardless of dog or cat. There are other activities, like laundry and disinfecting of the whole area, and cleaning up the materials that are not tied to that direct animal, but are part of the overall piece. When it comes to the actual time with that particular animal, the recommendation or what the industry standard is a minimum of fifteen (15) minutes per animal, per day. So at least to that point, they do not specify different amounts for cats or dogs. It is a very fair question to ask.

Councilmember Yukimura: Okay. Thank you.

Council Chair Rapozo: Any further questions? Councilmember Brun.

Councilmember Brun: I have two (2) questions. Somebody saw me in the store the other day and said to ask you this question.

Mr. Pisani: Awesome.

Councilmember Brun: I guess he had his cat for fifteen (15) years and at 10:00 at night, he was watching the cat die, so who does he call? He tried calling the Kaua'i Humane Society and tried calling the vet, even the police and the emergency room, but they told him that they do not treat that.

Councilmember Yukimura: Is this a stray?

Councilmember Brun: Somebody had their cat for fifteen (15) years.

Councilmember Yukimura: Okay.

Councilmember Brun: Do you folks have something like that where a vet can go out at night?

Mr. Pisani: We do not offer that service. This is a challenging situation. I was made aware of the same situation and it is heartbreaking because you have somebody with their animal dying overnight, and they have no option, but to either try to charter a flight to Honolulu where they have 24/7 animal service or not. We are a small community, and as such, we do not have...at least I am not aware of any vet on-island that provides 24/7 care. I may have gotten different information, but my understanding was that the individual called their vet and I believe that their vet might have offered that service, but it was going to be an additional \$300 charge for overnight. My experience from other locations and communities where you do have that service, which is not uncommon...they are often called "emergency animal clinics." There are organizations that specialize in running those. It is kind of the "ER" equivalent to your urgent care that closes at 8:00 at night, but the ER is open at all hours of the night...as you can expect with a human ER, when you walk into the ER, you are going to pay hundreds more than you do when you go into urgent care. It is a very similar model. If there are nay vets who do offer that, I think they are probably likely going to charge a fee. We do not offer that service because the cost to offer that would be prohibitive. To have someone on-call would be extremely expensive. It is not something that is obviously under the contract, but that does not really help the individual who is in that situation and is extremely frustrated, and in a very difficult situation where he has to watch his loving pet pass away in front of him and potentially suffering. I am open to whatever options our community can put together, but typically in most communities, that is done on a private basis where you have emergency animal clinics if nothing else can put that animal down. Typically, the fees are two to three times what you would pay for that same service during the day time.

Councilmember Brun: Another question he had was...the seniors want to adopt a pet, but they cannot afford the veterinarian bills and all of that, does anybody have services for that? He was asking me about medical for animals, but I do not think you have medical for animals.

Mr. Pisani: Affordable medical services for animals is a challenge. There may be services that our local vets may offer in some cases. There are some payment plans and sometimes vets will offer that, which can ease the burden a little bit. Insurance is an option. It is not well-known, but when people adopt from us, their first thirty (30) days, they are covered under an insurance product at no charge. But I would say that the challenges after that...you have insurance, which will cover those significant costs, but just like human insurance and this one does not have an employer paying a portion of it, the expense on a monthly basis is going to be expensive and for most folks on a fixed income, it probably is going to be too expensive. Unfortunately, I do not have a great solution for that. It is a challenging situation. I will say that if there is a vet who wants to sort of go down that path, there are some opportunities for funding for some of that from some foundations. I would definitely be interested in working with them. It is something

that maybe sometime in the future KHS could look at doing. But as of right now, we do not have any expectations to be offering broader medical services to the public. We just offer spay and neuter, as well as vaccinations and that is all we intend to do.

Committee Chair Kaneshiro: Council Chair Rapozo.

Council Chair Rapozo: Thank you. I just have a follow-up to his first question. You folks do not have someone that is on-call?

Mr. Pisani: We do have a Humane Officer that is on-call and that person is on call for stray animals and those types of things. Again, that is our expectation under the contract is that is what that person is there for. I would say that we could have that person on-call...the challenge is that they are not a vet. So if we are talking about veterinary services, you would have to have a vet on-call.

Council Chair Rapozo: Your services for stray animals...they are not coming out for a stray animal unless the animal is hurt, right?

Mr. Pisani: Well, depends on the situation, I think.

Council Chair Rapozo: I can tell you my personal experience, which you call about a stray animal and if the animal is not hurt, they are not coming out. Unless that has changed since you took over.

Mr. Pisani: Do you mean overnight?

Council Chair Rapozo: Yes, like 7:00 at night or 8:00 at night or even 10:00 at night.

Mr. Pisani: Right, the emergency is for stray animals that are injured. That does sound right.

Councilmember Yukimura: Injured?

Mr. Pisani: Injured or in medical need, right?

Council Chair Rapozo: Right.

Mr. Pisani: Or some other emergency situation, like an aggressive dog that is all of a sudden is in someone's house and it has to be handled immediately or something, something which you would call an emergency.

Council Chair Rapozo: Right.

Mr. Pisani: Anything that can last to the morning, they would say, "Let us wait until the morning."

Council Chair Rapozo: In that scenario, the Enforcement Officer is not a vet.

Mr. Pisani: That is right.

Council Chair Rapozo: So I am trying to ask: what do you offer on-call? I see it in the budget that you have on-call overtime, which the County funds 100%. Do they come out when they are hurt or sick or they do not come out when they are hurt or sick?

Mr. Pisani: They do. I think that is for stray animals only, not for owned animals. We can look into it if there would be a significant change to our costs for offering that. We can look into it if we can provide a greater service to the community.

Council Chair Rapozo: I just want to make sure that when people ask us that question, we can give them the right information. That is a problem. One of the major complaints that I get and that I see on Facebook is that they called about a loose dog and the Kaua'i Humane Society said, "Sorry, we are not coming out," again, unless the dog or animal is injured.

Mr. Pisani: My understanding is if the animal is not contained in some fashion, we typically do not go out. So in other words, it depends on the situation. It is a matter of prioritization, the different calls that we get. Typically, we will try to send an officer out if there is an animal on the loose, but that is a challenging situation because you can quickly just spend the entire day looking for an animal.

Council Chair Rapozo: My experience was where the dog was loose and we caught the dog and we tied the dog and they said, "Sorry, we are not coming out unless the dog is hurt."

Mr. Pisani: We could look at offering that to the overnight.

Council Chair Rapozo: Thank you.

Committee Chair Kaneshiro: Councilmember Yukimura.

Councilmember Yukimura: So a stray animal that is tied up...you can wait until the morning to go and pick it up, right?

Mr. Pisani: I think that is the thinking behind it, but I can confirm our procedure.

Councilmember Yukimura: I guess we are unclear about what your policy is about night calls, and with this new on-call person whether that policy is going to change in any way, and if so, in what way?

Mr. Pisani: By new on-call person, you mean the dispatch person?

Councilmember Yukimura: Yes.

Mr. Pisani: Dispatch is actually a matter...that is actually...not a person that is going to be going out...they are only working during business hours.

Councilmember Yukimura: Field dispatch.

Mr. Pisani: Right. Currently, we have no one assigned to answering phones for the field department. So if you call in and every field officer is out, they try to call in and check voicemail when they can. The quality of service has not been where I think it should be.

Councilmember Yukimura: That is true.

Mr. Pisani: That is frankly maybe our number one complaint. "I called and reported this." That is on both sides of the house, if you will, KHS, and we expect to be helping out in both areas, but in particular, it is of most concern when someone calls for a cruelty situation. If it is during our working hours for our Humane Officers, I believe we need to be responsive to those on a much quicker basis, more like an hour and not, "Oh, the person came back at the end of the day and finally someone got to check the voicemail messages and now five (5) hours have passed."

Councilmember Yukimura: Right.

Mr. Pisani: That is what that dispatch is for, is to provide that level of coverage.

Councilmember Yukimura: I think that is going to be a big improvement.

Mr. Pisani: I think the community will very much appreciate that.

Councilmember Yukimura: Thank you for clarifying that it is only during work hours. What are your work hours?

Mr. Pisani: I apologize. I think the Humane Officers start at either 7:00 or 8:00 and ends later in the evening. This person obviously cannot be working twelve (12) hours a day, seven (7) days a week—it is a single position—but we are trying to cover that as much during the busiest time, which typically most of the reports we get are between the hours of eight (8) and twelve (12). So I can say that during that time, that person will always be on shift.

Councilmember Yukimura: 8 and 12 in the morning?

Mr. Pisani: Yes, 8:00 a.m. to 12:00 p.m. People recognize that it is in the middle of the night and...that person comes in and they check all of the voicemail that may have been left overnight and they start dispatching all of the officers. That is typically...most of our dispatch comes in at that time and then the officers spend the rest of the day based upon priority of that situation, addressing those issues generally as long as it takes to get it done that day.

Councilmember Yukimura: Okay. If field dispatch is during work hours, then who covers your night hours, if at all?

Mr. Pisani: One of the Humane Officers takes the call directly during that time. There is someone assigned every single night.

Councilmember Yukimura: That is good. You would have some policy that guides them as to how they respond to the call or whether they respond?

Mr. Pisani: That is right. I can provide that because that is part of the clarity that it sounds like the Council would like. I apologize for not being able to provide it verbally, but I can provide that to you.

Councilmember Yukimura: Okay. Thank you.

Committee Chair Kaneshiro: Any other questions? I have a question. During times like hurricane warnings and people need to move away from their homes and they have animals, sometimes I think our shelters do not allow animals. Is your shelter able to accommodate that type of thing? How many animals could they accommodate? Say in a time where there is a hurricane warning, would somebody be at the shelter to watch it?

Mr. Pisani: It is a great question. The manager of our humane officers is actually the person in our organization who is the point person for disaster responsiveness. She has been working with the local team that is also looking into disaster response for the coming hurricane season. Just in general, it is a good chance for us to review our policies. My understanding is that due to legislation that followed Hurricane Katrina, all human shelters are required, not just service animals, but are required to allow people to take in their pets now. I am not an expert in the area, but that is the understanding. In fact, that is the general recommendation, which is to keep your animals with you. There were a lot of problems with Hurricane Katrina where you had a tremendous number of pets that just got spread all over the country. If that is the legislation, it is another thing to make that happen in a realistic way. One of the things we are doing is identifying a group of volunteers, whether it be employees of KHS or volunteers that would be assigned to the various shelters, ideally at least two (2) people to help with that process and to help make sure that we set it up appropriately and things like that. We are reviewing our own capabilities within our own shelter. We have, at any given time, more than 100 animals that we might have to also be taking care of, which are our own, and we have to look at what it takes to do that. We have staff, employees, and volunteers who may be willing or may feel like they have to take care of their own home situations.

We are currently investigating that. One last thing is that our shelter was built with a basement, which my understanding is it was built as a hurricane shelter, which is great...it does historically flood during heavy rains, so in a sense that the building may blow over and the basement is still there, but there may be a few inches of flooding in there...in any case, we are looking at that situation to see. We would like to be able to offer something to the community, but we also have to recognize our resources and the 100 plus animals that are in our care in any given time. There is more to come with that, but we are actively working on that with the disaster response team for the community in all of those different issues. We are looking at ways to support the human shelters when they take in animals.

Committee Chair Kaneshiro: Thanks. Councilmember Yukimura.

Councilmember Yukimura: How is your budget allocations treating spay/neuter? They are just all mixed in, like spay/neuter is considered animal control in your allocation?

Mr. Pisani: I would have to look at it. The medical expenses are a bit more detailed. I do not want to give you an incorrect answer. I believe there is some sharing of that expense, but I am not sure. Spay/neuter can take a few different forms. Spay/neuter is for animals that come to our shelter and they would have to get it to be ultimately adopted out. Spay/neuter is what we offer to the public, which we generally offer approximately at cost, although we are buttoning that down to see how that is. Also, spay/neuter is also offered to the public, but it would be in support of...we do offer it for TNR activities for a reduced rate for our partners and for folks bringing in cats for TNR. So we are looking at all of those issues. I would have to look at more detail to see how those expenses are allocated. I know there has been some discussions with regard to historically there had been some money set aside by the County for spay/neuter activities and I believe that was a program where folks would get a certificate or something like that and they could take to their local veterinarian, who would give them a significant discount off the cost of the services or perhaps even free. I believe that there may have been some challenges with the amount that we were reimbursing per surgery and the amount that was not in line with what our market price is for veterinarians on the island. One other item I will just mention is something that is outside of this, because it really does not affect our budget, is that we are looking at bringing what we call a "MASH Unit," which is something that has been successful on the island of Maui. We are looking at bringing a MASH Unit here in September. The goal would be that they would come here for a week and do 500 or more surgeries in one week. The only cost to the Kaua'i Humane Society would be a certain cost for medical supplies, like just the things that are used during surgeries. They bring all of their own equipment. We would probably have to provide some volunteer support and we would just offer some marketing just to make sure that it was successful. So that is something that we are looking at and seeing if that is a model to be more successful to significantly increase the availability of spay/neuter surgeries. I will point out that once that MASH Unit is here, those surgeries are offered for free. So the question is what segments of the community, if any, do they target? I believe their interest this first time is to target owned animals, people with pets who want to have a free surgery. So they are looking at that. We are in the initial planning stages of that and it is something that Maui has done with great success. They are actually reaching the last of

their MASH Units because of the fact that the Maui Humane Society just went through an expansion of their medical side and they now have a clinic that can support a much higher volume than they have traditionally been able to support. On the island of Maui, all spay/neuter surgeries are free through the Maui Humane Society. Again, that is something that there is matter of funding and those types of things to make that happen.

Councilmember Yukimura: MASH Unit?

Mr. Pisani: "Medical Animal Sterilization..." I am sorry, I forget...I had it off the top of my head. I can get that for you.

Councilmember Yukimura: Okay.

Mr. Pisani: The organization that we are working with from that is an organization called "Animal Balance" that first did a MASH Unit sterilization clinic..."hospital" is the "H" word. I believe it is "Mobile Animal Sterilization Hospital." That sounds correct. They started their work twelve (12) years ago on the Galapagos Islands, interestingly enough, and they have been going there ever since. They only go to islands, so they focus on islands and they feel that island-communities can be most successful. So they come in, set up, and they have four (4) or five (5) days that they are open to the public and it takes them eight (8) days, their total time on island. They come in, set everything up, and it is an outdoor...looks like "MASH," the old television show. They do significantly high numbers of surgeries for no charge.

Committee Chair Kaneshiro: It sounds like the Tropic Care program for humans, but they have a MASH program for animals. Council Chair Rapozo.

Council Chair Rapozo: Where in your procedures does it show your budget, as far as spay/neuter?

Mr. Pisani: So the revenue was going to show up under the first page, but the actual expenses associates with that, I believe, are not independently broken out and I believe they are all going to be on a line item 50415 on page 3 at the bottom, Medical Supplies. Yes, I think they are probably all going to be there.

Councilmember Yukimura: What about the cost of your veterinarian?

Mr. Pisani: The veterinarians are all going to be on the payroll line items. The actual supplies piece is going on the line item I showed and the others are not going to be broken out independently on the payroll. All of the medical staff are broken out 50/50 between the two. So we do not look at it as spay/neuter or any of those types of things. We break it up, the personnel who are broken out for the medical personnel 50/50. Again, I look forward to the opportunity to go through that in more detail, perhaps with Ken or someone on the Director of Finance's team. When you get into this excruciating detail, it is challenging to make sure that we are really doing it the right way, so we look forward to an opportunity...if there is an analyst on the Director of Finance's team or someone else in the County who could sit down and go through that detail with us

and really check our work and have a conversation to see what makes sense. As of right now, the medical costs that we incur are either payroll, split 50/50 there, or the medical supplies. I do not have the detail on how the medical supplies are split because different items are split different ways.

Council Chair Rapozo: I guess the better question would be how much does it cost to perform a spay/neuter procedure?

Mr. Pisani: We are working on developing that as well, partially for the fact that we operate a clinic and I want to ensure that we understand what our costs are for that. I can get you our estimates once that analysis is complete, which it should be complete in the next few weeks, if not very soon. I will point out that it is a different cost, depending on the type of animal. It is also a different cost depending on the type of surgery. Not all sterilizations are the same. For example, if you are sterilizing an animal that is already pregnant, there are different costs. There are other things like more complicated surgeries, like dystocia, where the mom has already started to have babies and babies are stuck in the birth canal.

Council Chair Rapozo: I am just talking about regular ones.

Mr. Pisani: So dog and cat are different and boys and girls are different. Boys are much quicker. I have seen high-volume, high-quality spay/neuter vets neuter a male on the table in 30 minutes.

Council Chair Rapozo: The reason I am asking is because we had that separate line item in the past and I think it is important as we talk about controlling these animals. I also want to do it in a way that we do not affect the private vets. I do not know what that balance is and maybe you can try to think of that for us and figure out what that number would be where the vets would not lose the money. I think the coupon would be the better way, so if they want to go to their vet they can.

Mr. Pisani: I will just point out that my understanding of the way that has worked in the past, and I appreciate that the County took it seriously enough and was concerned enough to put money aside for that, but my understanding is that did not actually increase the capacity of sterilization on the island. So to the extent that we are generally close to full capacity anyway, what we were doing is simply making it easier for some community members and that has value. It has value to saying there are people in our community that simply do not get spay/neuter because of a cost issue, but recognize you are not creating more spay/neuters or it may be more limited...in some cases just making it more affordable. What I like about the MASH Unit and one of the reasons I mentioned it and if it is something that we may want to look at, if the County wants to have that sort of activity more then we look at a way that maybe that is a component of where the County could invest. That has the potential of increasing the true capacity on the island of number of surgeries. Having said that, we would want to hear the feedback from the veterinary community to get an understanding of how they feel that is going to impact the community or impact themselves and their practice.

Council Chair Rapozo: So if we happen to put another \$60,000 in for spay/neuter, you are saying that it would make it more convenient, but not really have an effect on how many animals.

Mr. Pisani: I would suggest that the better way, if you want to affect the most animals possible, would be to leverage that money by saying, "Let us use that to pay for the supplies and maybe we can do three (3) MASH Units this year," and then that is going to increase your total capacity 1,500, versus to say, "\$60,000 divided by \$60"—ultimately, is that one thousand (1,000) new surgeries that we do or is that one thousand (1,000) surgeries that are just done more affordably. That is what we would have to look at. Again, I think it is only fair to say, and you made the point, that we have to look at what our veterinary community believes will be the impact on their own business strategies.

Committee Chair Kaneshiro: Councilmember Yukimura.

Councilmember Yukimura: If those surgeries are not being done anyway, you are not taking away anything from the veterinarians.

Mr. Pisani: True, although, I am not so sure that those surgeries would not happen anyway. If I look in the paper and can cut out a \$60 coupon to get \$60 off the surgery that I was going to do anyway, then I am going to cut that coupon out and go down and get surgery. You are right...it is unclear whether that is actually causing more surgeries to occur, or if it is making easier for folks and more affordable for people to get a surgery done. It is probably somewhere between the two is what I would guess.

Councilmember Yukimura: You could argue that the MASH Units are taking away business, except that if they are doing a considerably larger amount... you would have to almost determine what the capacity of the private vets are doing...if they are doing an amount far beyond that capacity in a certain timeframe then that is not taking business away.

Mr. Pisani: What we could do, which would be interesting if we had perhaps a local veterinarian association meet with KHS as part of these MASH Units and we say, "What is the baseline number of surgeries we do in a year on-island total?" Then we monitor it and we look to see if that is pulling surgeries away. We recognize what that looks like, but we track holistically, how many surgeries on island? We do about 2,000 and I do not think the rest of the our vet community does in a whole, even 1,000, so that gives us kind of a ballpark, but we could analyze that data, and then see what the impact is for these MASH Units, because we do want to be thoughtful with small business owners on our island and making sure these things are not negatively impacting their ability to do business. At same time, we all recognize that the more sterilization we can do throughout our community, the better.

Councilmember Yukimura: Yes. I appreciate your approach of looking for "win-wins." The limitations on the MASH Units are that they are only here for a week.

But they will raise awareness, and in your marketing of them, that will raise...so maybe there is a way to increase the non-MASH time spay/neuters by offering incentives and increasing the awareness in a way that the off-time sterilizations will happen with the private vets.

Mr. Pisani:

Agreed.

Committee Chair Kaneshiro: Any further questions? If not, we are at lunch. 12:30 p.m. Thank you, Scott, for coming out and answering the questions. Great job. I am sure that we will still be in contact, as far as the contract goes and allocations. When we come back, we are just going look over the new bond issuance and the items on that.

There being no objections, the meeting recessed at 12:30 p.m.

The meeting reconvened at 1:34 p.m., and proceeded as follows:

Committee Chair Kaneshiro: Welcome back. The last item on our list is Bond Issuance. Right now, it is not in the CIP list because this is a bond that they want to go out in this coming year, so the Debt Service is what they anticipated. If you are looking at the sheet, everything on the right that is proposed...everything that is in color is what is proposed now. So I guess we will just start from the top and go down. If we have any questions on this, let me know. Do we have any questions on the first item, Kekaha Landfill Cell 2 Construction, Cell 2 Design? If not, Kohea Loa Cost-Share Agreement? Refuse Transfer Station, NPDES Compliance? If not, Wailua NPDES Effluent? Actually, does anybody have any questions on any of these?

Council Chair Rapozo: For the people watching, I think it is important that they understand that these projects had been described at some point, prior to today's meeting. Unless there is an issue that a Councilmember has with a specific project...I do not envision that...they had explained this quite well, leading up to today. I just want the public to understand that we are not just trying to rush. We are done with lunch already, so it is not like we are trying to rush for lunch. It is just that these projects had been explained and described prior to today's meeting.

Committee Chair Kaneshiro: Again, this is just to get the list of the projects for when decision-making comes up, if we wanted to cut a project or keep a project, we would just do it. But I do not have any questions. Okay. We are going to get through this pretty quick, I guess. Councilmember Kawakami, do you have any questions? If there are no questions, there is no sense for us to stay here. A lot of us were all briefed on this. I was briefed on it, so I am pretty comfortable with the projects and knowing what they are. Well, if there are no questions, then I guess we are done for today. Thank you for coming. Be prepared to answer any questions that we have. I would like to recess the Departmental Budget Reviews. We will reconvene 9:00 a.m. on Thursday, April 6, 2017, where we have the reviews for the Emergency Management Agency, formerly known as Civil Defense, Office of the County Attorney, Office of the Prosecuting Attorney, and the Agency on Elderly Affairs.

There being no objections, the Committee recessed at 1:36 p.m.